CONTENTS PAGE

EXPLANATORY FOREWORD

The following pages include the Statement of Accounts for Cheshire West & Chester Council for the year ended 31 March 2011. The Council must prepare and publish annually a Statement of Accounts.

The purpose of the Statement of Accounts is to give electors, local taxpayers, Members of the Council, employees and other interested parties clear information about the Council's finances.

The aim is to provide information on:

- The cost of the services provided in 2010-11.
- Where the money came from.
- What we own and what we owed at the end of the financial year.

The purpose of this foreword is to provide an explanation of the Council's financial position, including the main influences affecting the accounts, and to assist in the interpretation of the accounting statements.

Impact of Implementing International Financial Reporting Standards (IFRS)

From 2010-11 local authority accounts have to be prepared under an IFRS based Code of Practice on Local Authority Accounting. The implementation of the IFRS represents a series of major changes in the production of public sector accounts, the accounting treatment within the accounts and the reporting regime. The aim of the introduction of IFRS to the public sector is to:

- Bring benefits of improved and consistent management information reporting;
- Allow for better transparency and comparability for financial reporting across the global economy; and
- Follow private sector best practice.

The Code requires the 2010-11 accounts to be presented on an IFRS basis and the 2009-10 accounts have been re-stated in order to provide comparatives.

The table below summarises the statements resulting from transition to IFRS:-

Order	Statement under SORP 2009	Equivalent statement under IFRS
1	Statement of Movement of General Fund Balance	Movement in Reserves Statement
2	Income & Expenditure Account and Statement of Total Recognised Gains and Losses (STRGL)	Comprehensive Income and Expenditure Statement
3	Balance Sheet	Balance Sheet
4	Cashflow Statement	Cashflow Statement
5	Notes to the Accounts	Notes to the Accounts and segmental reporting

The format of the first section of the new Comprehensive Income and Expenditure Statement, the (Surplus) or deficit on Provision of services, is very similar to the Income and Expenditure Account under the SORP, although less

detail is required below the Cost of Services. The format of the second section of the Comprehensive Income and Expenditure Statement is, very similar to the Statement of Total Recognised Gains & Losses (STRGL) under the SORP.

The main differences between the accounting information included within the former Income & Expenditure Account and the Comprehensive Income and Expenditure Statement are:-

- All gains and losses and income and expenditure relating to Investment Properties are now recognised in the Comprehensive Income and Expenditure Statement.

- Capital Grants and contributions are recognised immediately (unless there are conditions) rather than being deferred and matched to expenditure;

- Untaken holiday pay and similar items are now accrued for at year end.

The Balance Sheet remains under IFRS, and the layout is also very similar to the SORP's Balance Sheet. One difference is that the minimum requirements under IFRS are less detailed than under the SORP. The main changes on the balance sheet are:-

- Fixed and Intangible Fixed Assets are now held as Non-Current Assets;
- New category of 'assets held for sale' i.e. assets which are due to be disposed of within 12 months;
- Stocks are now recognised as Inventories;
- Cash balances now include cash equivalents and overdraft balances where these are an integral part of an authority's cash management;
- Balances on the Government Grants Deferred Account have been transferred to the Capital Adjustment Account;
- A new reserve, the Accumulated Absences Account, has been introduced, to reflect the Council's obligations concerning annual/flexi leave which has been earned but not yet taken at the end of the financial year;
- The criteria for recognising assets acquired through Finance Leases have been widened. This has led to the Council recognising more Finance Leases and therefore showing the equipment procured under these leases as the Council's assets. An offsetting liability is shown to reflect the commitment to continue paying the lessor for the remainder of the lease term;
- Reserves are now classified between 'usable reserves' and 'unusable reserves'.

The Movement in Reserves Statement analyses the year on year change on the reserves held by the authority, classifying them as ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. This statement takes the total Comprehensive Income and Expenditure figure and reverses out these notional charges and credits and shows the true amount of net expenditure that is required by statute to be financed from Council Tax.

There have been minor changes to the notes to the accounts. One new note is on Segmental Reporting. This note provides a bridge between the internal financial management reporting and the financial statements. The note is based on the internal management structures of the Council and reconciles to the Comprehensive Income and Expenditure Statement.

Statement of Accounts

The Council’s accounts are made up of:

- **The Statement of Responsibilities for the Statement of Accounts** explains the authority’s responsibilities and the responsibilities of the Director for Resources.

- **The Annual Governance Statement** comprises the systems and processes that enable the authority to monitor the achievement of its strategic objectives. This includes the system of internal control used to manage risk. It sets out the main features of this system and its effectiveness.

- **Movement in Reserves Statement** shows the movement in year on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus (or deficit) on the ‘provision of services’ line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

- **Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable

reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations to their use. The second category of reserves is that which the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (e.g. Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- **The Cash Flow Statement** shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

- **The Housing Revenue Account** is a record of revenue expenditure and income relating to an authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants**.**

- **The Collection Fund** is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

- The **Pension Fund Accounts** summarise the income and expenditure and the balance sheet position as at 31 March of the Cheshire Pension Fund, which is administered by Cheshire West & Chester Council.

The accounts include a Glossary of Terms and there are suitable notes to the accounts which give readers more information. The accounting policies are now included within the notes to the accounts.

Main Influences on the 2010-11 Accounts

Aside from the introduction of IFRS, the main influences on the 2010-11 accounts have been the impact of the current economic climate, the value of non current assets and the end of the joint property agreement with Cheshire East Borough Council.

The prevailing economic conditions have influenced the Council's approach to its Treasury Management activities. Interest rates throughout the year were at unprecedented low levels. This meant the return earned on investments was also very low relative to the not too distant past and the rate of interest payable on long term loans. In addition, Central Government, as part of the Comprehensive Spending Review (CSR) announced in October 2010, increased the rate of interest earned on loans raised from the Public Works Loans Board (i.e. HM Treasury) by the inclusion of a 1% premium over gilt yields. These two factors together reinforced the Councils chosen strategy of temporarily funding capital expenditure payments from existing cash balances rather than by raising new long term loans. 2010-11 was the second successive year during which the Council had managed its cash balances so as to avoid having to raise new long term loans.

The current economic climate has also had a significant impact on the accounts, particularly the Pensions Liability. The most significant change on the face of the balance sheet relates to the Pensions deficit and this has decreased from £598m to £219m, a decrease of £379m. This is principally due to the fact that there has been a significant reduction of £297m in the Pensions Liability. This primarily relates to two factors.

- The first is a result of the real discount rate being increased from 1.6% to 2.7%, this has the effect of reducing the current valuation of future payments and is a notional adjustment as it does not affect actual payments;

- The second relates to a national decision to link pension increases to the Consumer Price Index (CPI) rather than the Retail Price index (RPI). It is estimated that CPI will be on average 0.8% below RPI per annum. This is a real cash saving to the Pension Fund and the Council but it is important to note that this does not represent an immediate benefit to the Council's General Fund. The Pension deficit is being funded by increased payments over a significant period. The Council's actual liability is reviewed every three years as part of the triennial valuation of the Pension Fund and an investment strategy is determined which aims to recover the deficit over a stated period (currently 20 years).

There has been a significant change in the valuation of non-current assets (formerly fixed assets) during 2010-11. Property, plant and equipment have decreased by £87m. This is due to a combination of factors; £58m of new additions, £18m of disposals, £26m of depreciation and a £101m fall in property valuations. The property valuations which were completed in year have led to a significant number of changes to asset values. The net impact was a £101m reduction in value, split between £30m of upward revaluations and £131m of impairments/downward valuations.

Since Local Government Reorganisation in April 2009, the Council has held a number of property assets which formerly supported services delivered across Cheshire in partnership with Cheshire East Borough Council. During 2010-11 the Council concluded negotiations to bring these joint arrangements to an end enabling each Council to progress their property strategies on a more stable funding. From 1st January 2011 Cheshire West & Chester Council and Cheshire East Borough Council took on full ownership/leaseholder rights and responsibility for running costs for a number of properties within their geographical location. As the majority of these properties reverted to full ownership by Cheshire West & Chester Council a compensatory payment of £4.0m was required to 'buy out' the Cheshire East interest in the property. The resulting impact on the balance sheet has been a reduction in the value of long term liabilities of £8m and clearance of a £4m long term debtor reflecting Cheshire West and Chester's interest in Cheshire East assets. A compensatory payment of £1.6m was received from Cheshire East to fund the full running costs of these buildings over the next few years.

Changes in Accounting Policies in 2010-11

The Statement of Accounts in 2010-11 is prepared in accordance with proper practices and incorporates the additional reporting requirements as a result of the adoption of International Financial Reporting Standards. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and re-stated under IFRS in order to provide year on year comparatives for the 2010-11 accounts.

A number of changes have been made to the accounting policies. These are summarised below:-

- The Tangible Non Current Asset policy has been amended to reflect new categories of assets and the ability under IFRS to capitalise some disposal costs;
- The Intangible Asset policy has been amended to recognise a wider definition and new rules on identifying asset lives;
- The policy on contingent assets and liabilities has been amended in order to define the point of recognition;
- Disclosure of future changes to accounting policies and the expected impact of new standards that have been issued but not yet adopted;
- A new policy has been included for cash and cash equivalents;
- Policies on employee benefits have been added which set out the accounting treatment of benefits payable during employment, post employment benefits and termination benefits;

- The grants and contributions policy has been amended in line with IFRS, with grants being recognised in the Comprehensive Income and Expenditure Statement upon receipt, provided all conditions linked to the grant have been met;
- Balances on the Revaluation Reserve that are linked to investment properties or assets held for sale are no longer held on this reserve and have been reversed out to the Capital Adjustment Account;
- The authority has recognised the accrued expense of earned but untaken annual leave, time off in lieu and flexi leave as at the balance sheet date. Sampling techniques have been used to calculate the required level of provision for non-teaching staff as following Local Government Reorganisation, Cheshire West & Chester Council has inherited employee benefits policies and different leave years of the four former authorities. National teachers' terms and conditions do not create an entitlement to take leave, but provide an entitlement to be paid for a school holiday following a school term which a teacher has worked. The payroll system has been used to generate the information to calculate the accrual.

Where a change in accounting policy is required by the introduction of IFRS, Cheshire West & Chester Council have disclosed the following in the policy if relevant and/or the notes to the accounts:

- the nature of the change in accounting policy
- the reasons why applying the new policy provides reliable and more relevant information
- for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected
- the amount of the adjustment relating to periods before those presented, to the extent practicable, and
- if retrospective application is impracticable for a particular period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Summary of the 2010-11 Year

The Council spends money in two ways; revenue and capital. Revenue spending is on items which are used up within a year and is paid for from Council Tax, government grants, rents and other income. Capital spending generally relates to items of expenditure which will give benefits to the Council for a period of more than one year. The financing of capital expenditure is mainly from capital receipts, capital grants and contributions, or borrowing.

Summary of Revenue Expenditure

The Comprehensive Income and Expenditure Statement and the Movement on Reserves Statement show our financial performance and the net expenditure to be charged against Council Tax.

A net expenditure budget of £246m for 2010-11 was agreed by the Council in February 2010. The table below brings together our revised budget for 2010-11 and our actual income and expenditure, to show the full summarised picture.

	Budget £m	**Actual £m**	**Variance £m**
Service Expenditure	236.1	239.3	3.2
Carry Forward requests	0.0	1.8	1.8
Contingencies	3.3	1.1	-2.2
Depreciation	-22.2	-22.2	0.0
Capital Financing	23.5	20.1	-3.4
Other	0.9	1.2	0.3
Total Net Spend	**241.6**	**241.3**	**-0.3**
Contribution to Reserves	4.8	5.1	0.3
Total Spend	**246.4**	**246.4**	**0.0**
Financed by:			
Council Tax & Government Grants	244.3	244.3	0.0
Use of Carry Forwards	2.1	2.1	0.0
Total	**246.4**	**246.4**	**0.0**

When the 2010-11 budget was set it was identified that it would be challenging to deliver a balanced budget as Directorates had some slippage in their proposed saving plans from 2009-10 and were managing a challenging, but deliverable, further target of £6.9m set as part of the 2010-11 budget setting process.

In the budget report it was clearly identified that individual services would probably overspend (against their base budget allocation) in the current year as they needed to effectively downsize and remove legacy costs from their services. Provisions were set aside to meet these transitional and voluntary redundancy costs.

As shown in the table above, the final outturn for the Council is an underspend of £0.3m. The £0.3m underspend comprises an overspend by Directorates of £3.2m in 2010-11, and in addition they have requested carry forwards of £1.8m into 2011-12. However, contingencies and other corporate budgets have underspent by £5.3m.

This position reflects the positive approach that has been taken to financial management during the year.

<u>Services Provided</u>
The table below shows how the gross revenue expenditure was distributed across services in 2010-11 in accordance with the Best Value service expenditure analysis:

	2010-11	
Service	**£000**	**%**
Central Services	**31,050**	**3**
Children's and Education Services	**420,916**	**44**
Adult Social Care	**125,953**	**13**
Cultural, Environmental & Planning Services	**127,288**	**13**
Highways, Roads & Transport Services	**59,734**	**6**
Council Housing (HRA)	**72,828**	**8**
Housing Services	**108,611**	**11**
Corporate & Democratic Core	**4,151**	**0**
Non-distributed Costs	**2,528**	**1**
Total	**953,059**	**99**
Other Operating Expenditure	21,487	
Financing and Investment Income and	35,729	
Gross Revenue Expenditure	**1,010,275**	

<u>Where the Money Comes from</u>
In 2010-11 the Council received revenue funding and income of £988.5m. The table below shows where the Council's funding came from:

Source of Funding	**£000**	**%**
Fees and Charges	308,578	**31**
Specific Government Grants	376,679	**38**
Capital Grants and Contributions	30,731	**3**
Call on Collection Fund	154,219	**16**
Revenue Support Grant	11,853	**1**
National Non Domestic Rate (NNDR)	81,629	**8**
PFI Grant	3,032	**-**
Area Based Grants	21,796	**2**
Total	**988,517**	**100**

Schools-related expenditure is paid directly to local authorities via the Dedicated Schools Grant (DSG) and this has been included within specific government grants in the table above. Specific grants represent 38% of our funding. 17% of the Council's funding comes from Council Tax, with a further 9% from Revenue Support Grant and National Non Domestic Rates. Fees and charges generated by service activities represent 31% of the total income of the Council. Services are encouraged to continuously review charging policies to ensure that the optimum amount of income can be generated in specific areas to assist the Council in operating within financial constraints.

The Council also receives income in the form of interest through the management of its reserves.

What the Money was Spent On

The table below provides an analysis of what the money was spent on during the year:

Category	%
Employees	39
Premises	4
Transport	8
Supplies and Services	43
Capital Charges	6
Total	**100**

Summary of Capital Expenditure

The approved capital budget for 2010-11 was £127.5m. Expenditure on capital projects in 2010-11 was £76.7m. The capital expenditure incurred by the Council in 2010-11 by Directorate is shown below:-

Directorate	2010-11 £000	2010-11 %
Children and Young People	12,195	16
Adult Social Care & Health	241	0
Community & Environment	27,791	36
Regeneration and Culture	25,097	33
Resources	10,720	14
Corporate	694	1
Total	**76,738**	**100**

The sources of income which financed this expenditure are:

Source	£000	%
Supported Borrowing	8,541	11
Prudential (Unsupported) Borrowing	29,373	38
Government Grants	24,874	33
Other Grants	101	0
Internal/External Contributions (inc S106 & S278)	4,236	6
Other Revenue Contributions	4,038	5
Capital Receipts Reserve	5,575	7
	76,738	**100**

In 2010-11 borrowing has been financed from using cash and investments rather than taking out external loans.

The outcomes from the expenditure included the following completed schemes:

	2010-11 £000
Continued maintenance and improvement of public highways	13,059
174 Disabled Facility Grants to enable independent living within the home	1,827
Creation of new Waste Collection Depot to improve efficiency and productivity in waste collection and recycling	2,673
Amalgamation of Leaf Lane Infant and Nursery School and Wharton CE Junior School to form a 2FE (420 place) Primary School on the Wharton site	2,463
Provision of a new voluntary controlled primary school on the Thomas Wedge CE Junior site	5,559
Improved the provision of sustainable transport in Northwich. Included replacing the previously derelict Riversdale Bridge across the River Weaver and improved walking and cycling links from and to the bridge from surrounding areas	1,551
Delivery of a scheme of planned maintenance works to Council owned buildings. This included fitting 7 new boilers, replacing 14 roofs, removing asbestos from 3 sites and fitting new lighting schemes at 2 sites	4,450
Total	**31,582**

Further details of our capital spending and financing are shown in the notes to the accounts.

Balance Sheet

The Council's Balance Sheet demonstrates a strong financial position for the Council at the end of 2010-11, with an increase in net assets of £287m.

Non-Current Assets have decreased by £88.7m. Property, plant and equipment have decreased by £87.3m. This is largely the result of impairments and downward property valuations across a number of property categories:

- £57m relating to Housing, due to national changes to the basis for valuing properties;
- £38m relating to schools. Almost all schools were revalued in 2010-11 and this has resulted in a number of significant gains and losses. In addition, 3 Academy status schools have been removed from the balance sheet to reflect the fact they are no longer controlled by the Council.

Investment Assets have decreased by £1.2m again this was largely the result of downward property valuations.

Long term investments have decreased by £0.6m. Long term investments comprise the estimated amounts due to be received from the administrators of Heritable Bank in more than one year's time, from the balance sheet date. A number of the dividend repayments are now classified as short term and at 31 March 2011 only 3 dividend payments are classified as long term.

The value of long term debt owed to the Authority has decreased during the year by £4.7m. This is due to the writing out of the long term debtor representing Cheshire West and Chester's share of Cheshire East assets.

Working capital (i.e. current assets less current liabilities) has decreased by £18.9m. This is primarily the result of a £25.6m decrease in debtors and prepayments, £14.8m decrease in creditors, £11.4m decrease in cash, £11.2m decrease in investments and a £13.9m decrease in short term borrowing.

As at 31 March 2011 short term debtors/prepayments totaled £66.3m, a reduction of £25.6m on the end of March 2010 position. The main reason for the decrease is a reduction in the level of debt with Cheshire East Council. In 2009-10 outstanding income relating to Shared Services and other invoiced debt with Cheshire East was £32.3m. This has reduced to approximately £15m at the end of March 2011 due to the Council agreeing a payment on account throughout the year. Debt provisions of £10.4m exist to cover debt which is over 6 months old.

Short term investments totalled £0.8m as at 31 March 2011, compared to £12m at 31 March 2010. This decrease is due to the Council using its available cash balances in order to fund capital expenditure as opposed to raising new long term loans due to the prevailing economic conditions.

Creditors and Receipts In Advance totalled £98.1m as at 31 March 2011 compared to £112.9m at 31 March 2010, a decrease of £14.8m. The main reason for the decrease is that the March 2010 creditors balance included a £22.8m creditor to Cheshire East relating to cash held by the former Cheshire County Council. This has subsequently been paid during 2010-11.

Long term liabilities have decreased by £399.9m. This mainly comprises:

- A decrease of £378.6m in the Net Pension Liability. This decrease is due to the change in the real discount rate and the decision to link pension increases to CPI rather than RPI;
- £8.2m reduction in the liability relating to Cheshire East's interest in non current assets, as a result of the property agreement in January 2011.
- £1.6m increase in long term provisions due to an increase in the insurance provision.

Reserves are important as a means of providing working capital to finance spending whilst awaiting income. They are also a means of providing flexibility in the event of unforeseen circumstances. Based on historical experience and professional guidance, the minimum level of general reserves considered adequate to meet normal operational circumstances is broadly assumed to be around 3-5% of net operating expenditure (excluding schools). However, this figure needs to be modified by judgements regarding the level of financial risk and uncertainty. The current level of the General Fund (£24.6m) represents 10% of the net expenditure budget for 2010-11.

In February 2011, the Executive approved the Council's Reserve Strategy. This strategy showed that a risk adjusted assessment of the required level for the general fund in 2011-12 indicates a balance in the region of £19m-£22m would be prudent. As can be seen above, the balance at 31 March 2011 is above this risk assessed figure. However, the 2011-12 budget includes a drawdown of £3.9m from general reserves. This would leave a projected balance of £20.7m, which is within the risk assessed level for general reserves.

In addition to general reserves, the Council has created a number of earmarked reserves to provide for specific future spending requirements. Managers are able to carry forward planned under spending into the following year, thereby creating an earmarked reserve. This gives them increased flexibility but it is set within a framework of clear accountabilities. Resource Centre Managers carry forwards amount to £1.8m. There is also a carry forward facility for schools, which carried forward £8.9m into 2011-12, an increase of £4.1m on the previous year's position.

The Capital Receipts Reserve has decreased by £3.6m during the financial year, resulting in a balance of £15.4m at the year end. This position has arisen due to £5.6m being used to finance capital expenditure during the year. It had been anticipated that during the year £8.0m of capital receipts would have been generated, however, due to the prevailing market conditions, a balance of £2.2m was received in year and this was used to partially offset the expenditure incurred.

The Council's share of the Collection Fund deficit is £0.46m. Overall the Collection Fund has a deficit of £0.5m. £0.3m of this deficit is budgeted for in the Council's 2011-12 budget and the remainder will be built into the 2012-13 financial scenario.

The Housing Revenue Account balance at 1 April 2010 was £1.3m and at 31 March 2011 the balance had reduced to £0.7m. The deficit for the year of £0.633m compares to a budgeted deficit of £0.714m.

In addition, the Council has a number of other earmarked reserves. Further details of these can be found in the Notes to the Financial Statements (Note 9).

Future Developments

The Council anticipates that the coming year 2011-12 will be every bit as challenging as 2010-11, with continued pressures on all our main services, particularly Adult Social Care and services for Children, Young People and Families. In recognition of the pressures facing the Children, Young People and Families Directorate an earmarked reserve of £1.7m has been set aside to fund the on-going development of the Children's Services.

On 24 February 2011 the Council set a net revenue budget of £251m. In October 2010, the Collation Government announced the results of its Comprehensive Spending Review (CSR) and this focussed on not only the level of reductions that would take place within all government departments in order to address the Country's budget deficit but also announced significant changes in how local authorities would receive their funding. As a result of the announcement, and subsequently confirmed in the local government settlement, the level of funding local authorities would receive would reduce by an average of 25.6% over the period of the CSR, 2011-12 to 2014/15. As a result of the settlement, Central government funding to Cheshire West & Chester Council will reduce over the 2 year period by £25.4m.

Despite the significant funding reductions being faced, the Council considers itself well placed to respond to these reductions. The Council's medium term financial strategy had anticipated funding reductions of this scale and during the first two

years of its operations, the Council has delivered gross savings of £53m. The Council has reinvested £14m and reduced the cost to taxpayers by £39m. It is therefore considered well placed to respond to the challenging target currently being faced.

A key consideration in developing its future budget proposals, given the difficult financial scenario, has been to review more modern and cost effective methods of providing services and to explore alternative commissioning options. The Council continues to look for ways to further improve efficiency and eliminate waste.

The Council has developed a 10 year Capital Vision which went through a public consultation process during 2010. Following the consultation exercise the resultant programme and schemes proposed will modernise and streamline service delivery, generating better customer experience and more cost efficient services. Elements of the vision will improve the experience of the borough for residents and visitors alike.

The Council is also currently reviewing, with its external professional advisors, the long term liabilities (pensions and loans) on the Council's balance sheet with a view to maintaining the long term health of the organisation. A report will be considered by Members in the near future, which will focus on keeping these assets and liabilities aligned to protect and maintain the Council's financial health.

Conclusion and Further Information

Overall the 2010-11 Statement of Accounts shows the Council has a healthy financial position at the end of its second year of operation.

A copy of the Audit Report and a Summarised Statement of Accounts is available on our website at: www.cheshirewestandchester.gov.uk or contact our Information Line on 0300 123 8123. If you have any comments about the presentation, format and content of the Statement of Accounts please complete the attached feedback form.

Mark Wynn
Head of Finance
Cheshire West & Chester Council

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Our Responsibilities

The authority is required to:
- Make arrangements for the proper administration of its financial affairs and to secure that one its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources who is named as the Chief Finance Officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Statement of Accounts was approved by the Audit and Governance Committee on XX September 2011

Date: Signed by:

Councillor Keith Musgrave
Chair of Audit and Governance Committee

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing this Statement of Accounts, the Chief Finance Officer has:
- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice

The Chief Finance Officer has also:
- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

This Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2011.

Date: Signed by:

Julie Gill
Director for Resources

Annual Governance Statement

1. Scope of Responsibility

Cheshire West & Chester Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cheshire West & Chester Council also has a duty under the Local Government Act 1999 to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard for a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Cheshire West & Chester Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Cheshire West & Chester Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework "Delivering Good Governance in Local Government". A copy of the code is on our website at Code of Corporate Governance or can be obtained from the Council's Monitoring Officer. This statement explains how Cheshire West & Chester Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2011.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor its achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Cheshire West & Chester Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Cheshire West & Chester Council for the year ended 31 March 2011 and up to the date of the approval of the annual report and the statement of accounts.

3. The governance framework

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- The new Sustainable Community Strategy for West Cheshire "Together we can aim high" was launched in April 2010. The strategy sets out the vision and commitments for West Cheshire, through to 2026.
- The Corporate Plan 2009-11, which records the Council's vision and key pledges, was refreshed in April 2010, to ensure alignment to the new Sustainable Community Strategy. Following the Local Elections in May 2011, the new Corporate Plan for 2011-15 will be launched before 31 July 2011.
- The allocation of capital investment to meet the Council's key pledges is set out in the 10 Year Capital Vision.
- The intended outcomes for citizens and service users are underpinned in the Customer First project

Reviewing the Authority's vision and its implications for the authority's governance arrangements

- Elected Members are collectively responsible for the governance of the Council.
- The Authority has adopted a Code of Corporate Governance and has a Corporate Governance officer group. The group is chaired by the Monitoring officer and comprises a broad range of senior officers who review aspects of internal control and governance.

Measuring the quality of services for users, for ensuring that they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

- Responsibility for delivering corporate pledges is transferred to Directorates through individual Business Plans. These plans are prepared annually and also record Directorate priorities.
- Performance management is integral to the delivery of the corporate pledges. The Authority has developed a Corporate Performance Tracker, which is used to monitor and report performance. The Council's first annual report was published in September 2010.
- Budgets have been subject to critical business challenge sessions and are subject to regular monitoring and reporting. The Medium Term Financial Plan and Financial Strategy sets out the Council's approach in managing resources to meet corporate pledges and ensuring value for money.
- The Councils vision of Customer First, Value for Money and Best Practice are delivered and managed through the Core Competency Framework.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

- The Council has adopted a Constitution which sets out how the Council conducts its business and how decisions are made. The Council has adopted a Leader / Cabinet model, with eight Members on the Executive, each responsible for a designated portfolio. Responsibilities of the Executive include the Council's budget, decisions on expenditure, the Council's financial affairs, and human resources policies.
- In 2010-11 the Authority has operated with an Overview and Scrutiny Committee, responsible for the review and scrutiny of the Council, the Executive and its Partners. On 17 March 2011, the Council approved a new Scrutiny Committee Structure comprising three Committees focusing on three key strategic development areas, namely Health and Wellbeing, Education and Children, and Locality Working, together with a Corporate Scrutiny Committee able to work flexibly according to priorities.
- The Constitution records the roles and responsibilities of the Chief Executive, the Section 151 officer and the Monitoring officer, together with a protocol for officer / Member communication.
- Decision making arrangements delegated to officers are recorded in the Scheme of Delegation, with evidence of appropriate authorisation being retained locally.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- The Codes of Conduct for officers and for Members are recorded in the Constitution. The Codes are communicated through induction, briefings and training and are available on the intranet.
- The Standards Committee has responsibility for promoting high standards of ethical behaviour, codes of conduct and local protocols and policies for Members, and making recommendations in respect of codes of conduct for employees.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The Scheme of Delegation has been subject to review during the year, and is included in the Constitution.
- The Council's Contract Procedure Rules and Finance Procedure Rules have been updated and approved in 2010-11. Changes have been communicated through briefing notes, training and via the intranet. The Financial Code of Practice is currently being written and is due to be published.

- Financial approval limits for officers are recorded in the Schemes of Financial Delegation. These are prepared on a Directorate basis and are updated annually.
- Risk is managed in accordance with the Council's Risk Management Policy & Strategy. Directorate Risk Registers are updated and then reviewed by the Audit & Governance Committee on a rolling basis.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

- The Authority has an established Audit & Governance Committee. The Committee has responsibility for risk management and corporate governance, the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct, the authority's annual governance statement, the annual statement of accounts, and receipt of reports and information for Internal and External Audit.
- During 2010-11 it was decided to introduce a sub-committee "Members Audit Working Group" to deal exclusively with the reports and recommendations of Internal Audit.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- All committee reports which are reviewed by Members are subject to legal and financial review.
- The Council's Internal Audit function is required to examine, evaluate and report on the adequacy of internal controls operated throughout the Authority, in accordance with the Internal Audit Plan. All recommendations made are followed up to ensure implementation. The Head of Internal Audit produces an annual report and provides an "Internal Audit Opinion" in accordance with the CIPFA Code of Practice on Internal Audit in Local Government.
- The Authority is subject to External Audit and inspection by other bodies, such as OFSTED.

Whistle-blowing and for receiving and investigating complaints from the public

- The Authority has in place an Anti-Fraud & Corruption Strategy and Whistle-blowing Policy.
- The Authority also has in place procedures for Safeguarding within both Children's and Adults' services
- Complaints, compliments and suggestions can be made at Council offices and submitted online. The information is received by a dedicated Solutions Team, to ensure that all complaints are appropriately logged, investigated and resolved.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

- The Authority has in place a Member Development Strategy, a Member Learning Panel and a Member Development Champion.
- All new and returning Members undertake an induction programme and have an agreed Personal Development Plan, which is reviewed annually.
- The Authority has in place a Core Competency Framework and appraisal process for officers. The completion of appraisals via Oracle Performance Management is being piloted, and the intention is to roll this out across the Authority.
- The Council has recently launched a new Talent Leadership Development Programme "Gold", aimed at individuals who have the potential to develop to a leadership / senior role.
- Training is also offered on an on-going basis as part of the management development programme, with training needs identified through the appraisal process.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- During the year a Customer Engagement & Empowerment Strategy was approved.
- Channels of communication include the local resident publication "Talking Together", the Council website and the West Cheshire Together website.
- Decisions taken by Members are minuted and are available for public inspection (Part A).
- The Research, Intelligence and Consultation Team will publish a Consultation Toolkit this year, setting out eight 'key principles' to ensure consultation is undertaken to the highest standards.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

- The Authority has a Significant Partnerships Register. Arrangements with partners should be conducted in accordance with the Partnership Policy and Framework Toolkit.
- Governance arrangements for Shared Services are monitored and managed by the Shared Service Joint Committee and the Joint Officer Board.

4. Review of effectiveness

Cheshire West & Chester Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is as follow:

Corporate/Management Assurance

- The Council's governance framework has been reviewed throughout the year by the Corporate Governance officer group. A representative from this group has completed a review of compliance against the adopted Code of Corporate Governance.
- The Internal Audit team distributed Assurance Statements and attended Directorate Management Teams, seeking confirmation that a robust system of internal control and governance has been in place and working effectively in Directorates during 2010-11. This work has included the follow up of significant issues that were raised in the 2009-10 statements, and the identification of any new significant issues. Assurance Statements have been completed and returned from each Directorate, the Chief Executive's Office, The Head of HR & Finance Shared Services, and the Head of ICT Shared Services.

Executive

- The Executive met on thirteen occasions in 2010-11 and received / approved reports relating to the Council's budget, Capital Strategy, Reserves Strategy, Medium Term Financial Strategy, Treasury Management Strategy, Performance Monitoring, Budget Monitoring, the Council's Annual Report, and governance arrangements relating to the new Community Interest Company.

Audit & Governance Committee / Members Audit Working Group

- The Audit & Governance Committee met on six occasions during 2010-11 and received / approved reports relating to the Internal Audit Plan, Internal Audit Progress Reports, Head of Internal Audit Annual Report, Statement of Accounts, Annual Governance Statement, Treasury Management Reports, Finance Procedure Rules, Contract Procedure Rules, Anti-Fraud & Corruption Strategy, Directorate Risk Registers, and the Corporate Business Continuity Strategy.
- Since its formation in 2010-11 the Members Audit Working Group met on three occasions during the year and received details of the findings and

recommendations made in Internal Audit Reports. The status of recommendations has been monitored by the group to ensure implementation by managers.

Overview & Scrutiny Committee

- The Overview & Scrutiny Committee met on twelve occasions in 2010-11 and received / approved reports on subjects including budget consultation, customer complaints, written off debt, and public involvement in asset disposal.

Standards Committee

- The Standards Committee met on six occasions in 2010-11 and received / approved reports on subjects including a criminal records bureau checking of Members, Parish compact, Standards Committee hearing procedures, and the annual return to the Standards Board for England.

Internal Audit

- 2010-11 represented a period of significant change for Internal Audit, following management changes and an internal restructure. Despite all of the changes, the service completed 75% of the Internal Audit Plan, which equated to fifty-six audits, forty-six of which were issued as formal scored reports with advice and guidance notes offered in the remainder.
- The opinion in the Head of Internal Audit Annual Report is that “the Council has in place a satisfactory framework of governance and internal control which provides reasonable assurance regarding the economic, efficient and effective achievement of its objectives”.

External Audit/Other Inspections

- Key reports received in 2010-11 include the Sale of County Hall, the Purchase of HQ, and the Ofsted Inspection of Safeguarding and Looked After Children. All recommendations have been accepted and either implemented or built into 2011-12 work programmes.
- The Audit Commissions review of Internal Audit made sixteen recommendations, all of which have now been implemented. In the Audit Commission’s Benefit Service Inspection, the Council was judged ‘fair’ with ‘excellent’ prospects for improvement, which remains the only such excellent judgement in the country.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework as described above, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant governance issues

The review of effectiveness has identified the following significant governance risks and issues:

- Oracle R12
- The roll out of Liquid Logic
- Partnerships including the Partnership with Halton Borough Council (Children's Services) and the Local Health Economy
- Officer Decision Notices - Compliance
- Retention of Records and Disposal of Documents (Adults / Children's)

Management is aware of and is taking action to mitigate the risks / significant governance issues identified and separately Internal Audit has allocated a number of days within its 2011-12 Plan to review the areas identified to determine if appropriate controls are now in place and operating effectively. Full details are recorded in Appendix A.

The significant governance issues raised in 2009-10 have been followed up by Internal Audit. Full details are recorded below.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Cheshire West & Chester Council:

Mike Jones	**Steve Robinson**
Leader of the Council	**Chief Executive**

Significant Governance Issues 2010-11

No.	Issue	Comments / Action
1	**Oracle R12** In February 2011 the Authority upgraded its oracle system (to R12). As part of the go-live there are a number of known minor defects with a managed action plan. These will be reviewed through the year and Internal Audit have built a review of the implementation into their workplan. Corporate officers will be reviewing oracle output early in the new year to ensure sound financial management continues throughout the year.	This will be reviewed through the year and Internal Audit have built a review of the implementation into their workplan. Corporate officers will be reviewing oracle output early in the new year to ensure sound financial management continues throughout the year.
2	**Liquid Logic** Although there is no evidence to suggest that the implementation of the system has raised any significant governance issues, the financial investment in this system; the fact that it supports the delivery of key front line safeguarding services within both Children's and Adults; and that the implementation of children's, adults and financial modules at once has not been undertaken anywhere else before - is not without risk and therefore merits inclusion within the Statement.	The Internal Audit Plan 2011-12 provides for post-implementation review of the system alongside management information and safeguarding reviews within both Directorates.
3	**Partnerships including the Partnership with Halton Borough Council (Children's Services)** The range and scope of Strategic Partnerships that the Council is involved has been subject to considerable change. The recent changes to national government policy and funding have fundamentally changed some of the existing Partnerships. Furthermore, changes to the sub-regional landscape are altering much of the local partnership framework (such as the Local Strategic Partnership and its Thematic partnerships). Also, the Council is actively pursuing options for greater collaboration and shared service arrangements, such as the new Strategic Partnership	The Internal Audit Plan 2011-12 provides 11 days to follow up the 2010-11 audit on Partnerships and 20 days to review the effectiveness and value for money of the Halton Partnership in particular.

No.	Issue	Comments / Action
	agreement with Halton Borough Council for Children's Services.	
4	**<u>Officer Decision Notices - Compliance</u>** A corporate issue related to compliance with the Officer Decision Notice process and procedure.	To be reviewed by Internal Audit during 2011-12.
5	**<u>Retention of Records and Disposal of Documents (Adults / Children's)</u>** Issues have been raised in the Directorate Assurance Statement for Adult Social Care & Health, regarding the retention and disposal of records. Similar comments have been made in the statement for Children & Young People.	To be reviewed by Internal Audit during 2011-12 and forming part of the work programme of the Information Governance Strategy Group.

Follow up of Significant Governance Issues raised in 2009-10.

No.	Issue	Action Taken
1	Areas of concern have been flagged by some areas of the business in relation to underlying base budget problems, mainly in the Adult Social Care & Health Directorate. The Directorate inherited a significant overspend which has been brought forward to the current financial year.	Investment in Adult Social Care in 2011-12 has redressed the previous years outturn position. The year-end position for 2011-12 will then be balanced. Detailed monitoring will be undertaken of the delivery of the policy options, budget management, forecasting and demographic factors. Factors considered for the budget 2011-12 include: • Outstanding legacy funding with Primary Care Trusts • Demographics: people who need support is increasing • Changes to health economy which could reprioritise current spending commitments New legislation in 2012 implementing changes to the statutory requirements and funding for Adult Social Care.
2	In relation to financial management within Shared Services, although 2009-10's arrangements were sufficient, improvements can be made in relation to processes which jointly involve Cheshire East Council, for example, ICT.	Base budget review has been undertaken.
3	Information was provided via email from Children's Services to other local authorities pertaining to a 'missing child'. This was reported to the ICO by another Authority as being insecure media considering the nature of the material.	The Authority immediately put processes in place to distribute such information via email using the Government Connect secure mail system.
4	A major non-conformity was raised at the October 2009 external ICT audit relating to the control of hardware requiring data cleansing.	The disposal process was reviewed and staff informed of the changes. A follow-up visit in November 2009 checked and signed off the non-conformity. No major non-conformities were raised in the February 2010 visit.
5	During the year 1 April 2009 – 31 March 2010 the Council received 2 Improvement Notices from the Health and Safety Executive in relation to the management of violence and aggression to staff in a children's residential centre in Blacon, Chester. Unfortunately the breaches of the Health & Safety at Work Act were committed prior to LGR, however the liability carried forward to Cheshire West & Chester Council.	Improvements were made to the training and management systems and the HSE subsequently confirmed that the Notices had been complied with.

No.	Issue	Action Taken
6	A register of significant partnerships is under development, in support of the Council's Partnership Policy and Toolkit. However, governance arrangements for some of the identified partnerships are not documented to the necessary standard to ensure that they are understood and that delivery of those arrangements can be monitored. Many such partnership arrangements rely heavily on central government funding.	This has been subject to Internal Audit review in 2010-11. Recommendations have been agreed and are in the process of being implemented. This will be followed up by Internal Audit in 2011-12.
7	Not all staff were fully conversant with financial approval limits throughout the year. A number of procurement transactions should have been subject to additional approval prior to release.	Corporate procurement processes are now much stronger and there are more robust controls around contract management. Additional training has taken place and is planned. Liquid Logic will strengthen the systems further, particularly in the area of business where the need for additional controls was greatest.
8	A very small number of staff did not fully comply with the registration requirements of the General Social Care Council.	This issue was immediately rectified once identified.
9	The Internal Audit function had been assessed as adequate. However some concerns exist at year end, about the timeliness of delivering the planned Internal Audit programme and in particular the work on adequacy of key financial systems. Engagement with members of the Audit and Governance committee on findings from Internal Audit reports also needs to increase as delivery of the Internal Audit Plan develops.	The target of completing 75% of the Internal Audit Plan (2010-11) has been achieved. The audit programme has included work on key financial systems. Internal Audit findings and the implementation of recommendations are reported to CMT / Members' Audit Working Group / A&G Committee. The Internal Audit Plan for 2011-12 has been agreed and includes key financial system work. All of the recommendations made in the Audit Commission 'Internal Audit Review' have been completed.

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

This Statement shows the movement in the year on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The ‘(Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority’s services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent purposes. The ‘Net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Single Entity (England & Wales) 2010-11	General Fund Balance £000	Sums held by schools £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	**19,465**	**4,769**	**22,403**	**1,318**	**0**	**19,072**	**12,208**	**79,235**	**244,844**	**324,079**
Surplus or (deficit) on provision of services (accounting basis)	34,090	0	0	(55,848)	0	0	0	**(21,758)**	0	**(21,758)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	**0**	308,866	**308,866**
Total Comprehensive Expenditure and Income	**34,090**	**0**	**0**	**(55,848)**	**0**	**0**	**0**	**(21,758)**	**308,866**	**287,108**
Adjustments between accounting basis & funding basis under regulations	(21,597)	0	0	55,215	0	(3,635)	8,352	**38,335**	(38,335)	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**12,493**	**0**	**0**	**(633)**	**0**	**(3,635)**	**8,352**	**16,577**	**270,531**	**287,108**
Transfers to / from Earmarked Reserves	(7,363)	4,116	3,247	0	0	0	0	**0**	0	**0**
Increase / (Decrease) in Year	**5,130**	**4,116**	**3,247**	**(633)**	**0**	**(3,635)**	**8,352**	**16,577**	**270,531**	**287,108**
Balance at 31 March 2011	**24,595**	**8,885**	**25,650**	**685**	**0**	**15,437**	**20,560**	**95,812**	**515,375**	**611,187**

2009-10 Comparative Figures

Single Entity (England & Wales) 2009-10	General Fund Balance £000	Sums held by schools £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009	**20,044**	**5,019**	**14,680**	**1,588**	**837**	**29,341**	**7,766**	**79,275**	**509,240**	**588,515**
Surplus or (deficit) on provision of services (accounting basis)	3,669	0	0	502	0	0	0	**4,171**		**4,171**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	**0**	***(268,607)***	**(268,607)**
Total Comprehensive Expenditure and Income	**3,669**	**0**	**0**	**502**	**0**	**0**	**0**	**4,171**	**(268,607)**	**(264,436)**
Adjustments between accounting basis & funding basis under regulations	3,219		0	*(772)*	(837)	(10,263)	4,442	**(4,211)**	4,211	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**6,888**	**0**	**0**	**(270)**	**(837)**	**(10,263)**	**4,442**	**(40)**	**(264,396)**	**(264,436)**
Transfers to / from Earmarked Reserves	(7,467)	(250)	7,723	0	0	(6)	0	**0**	0	**0**
Increase / Decrease in Year	**(579)**	**(250)**	**7,723**	**(270)**	**(837)**	**(10,269)**	**4,442**	**(40)**	**(264,396)**	**(264,436)**
Balance at 31 March 2010	**19,465**	**4,769**	**22,403**	**1,318**	**0**	**19,072**	**12,208**	**79,235**	**244,844**	**324,079**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

This account shows the economic cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2010-11			2009-10
	Expenditure £000	Income £000	Net £000	Restated Net £000
Central Services to the Public	31,050	-26,272	4,778	2,679
Childrens & Education Services	420,916	-308,820	112,096	51,198
Adult Social Care	125,953	-33,758	92,195	85,465
Cultural, Environmental & Planning Services	127,288	-43,635	83,653	65,704
Highways, Roads and Transport Services	59,734	-28,313	31,421	35,763
Local Authority Housing (HRA)	72,828	-17,558	55,270	-1,268
Housing Services	108,611	-89,837	18,774	5,320
Corporate and Democratic Core	4,151	-240	3,911	4,440
Non-distributed Costs	2,528	-117,055	-114,527	992
Exceptional Items - Transitional Costs	0	0	0	19,031
Cost of Services	**953,059**	**-665,488**	**287,571**	**269,324**
Other Operating Income & Expenditure (note 10)	21,487	-2,089	19,398	4,784
Financing and Investment Income and Expenditure (note 11)	35,729	-17,680	18,049	10,837
Taxation and Non-Specific Grant Income (note 12)	0	-303,260	-303,260	-289,116
(Surplus)/Deficit on Provision of Services			**21,758**	**-4,171**
Surplus on revaluation of assets			-28,869	-21,735
(Surplus)/Deficit on revaluation of available for sale assets			-21	153
Actuarial loss on pension assets/liabilities			-279,976	290,189
Other comprehensive Income and Expenditure (note 12b)			**-308,866**	**268,607**
Total Comprehensive Income and Expenditure			**-287,108**	**264,436**

BALANCE SHEET AS AT 31 MARCH 2011

This statement shows the value as at the Balance Sheet date of the asset and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported as usable or unusable. Usable reserves are those that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital receipts reserve may only be used to fund capital expenditure or repay debt). Unusable Reserves are not able available to fund services and include reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

	Note	31 March 2011 £000	31 March Restated 2010 £000	1 April Restated 2009 £000
Non-Current Assets				
- Property, Plant & Equipment	13	879,324	966,668	884,344
- Investment Properties	14	120,085	121,271	110,477
- Intangible Assets	15	173	316	644
Long Term Investments	16	496	1,049	4
Long Term Debtors	19	3,084	7,686	7,202
Long Term Assets		1,003,162	1,096,990	1,002,671
Short Term Investments	16	828	12,015	38,742
Assets held for Sale	21	2,773	704	2,209
Inventories	17	765	1,479	1,432
Short Term Debtors	19	66,229	91,914	29,892
Cash & Cash Equivalents	20	55,206	66,561	44,238
Landfill Allowance Trading Scheme	19b	988	1291	0
Current Assets		126,789	173,964	116,513
Cash & Cash Equivalents		0	0	0
Short Term Borrowing	16	0	-13,920	0
Short Term Creditors	22	-98,135	-112,941	-39,885
Provisions < 1 yr	23	-9,451	-8,937	-11,918
Current Liabilities		-107,586	-135,798	-51,803
Long Term Creditors	16	-1,891	-14,000	-17,544
Provisions	23	-3,257	-1,616	-201
Long Term Borrowing	16	-141,859	-142,309	-144,464
Other Long Term Liabilities	16	-253,014	-638,233	-314,348
Capital Grant Receipts in Advance	37	-11,157	-14,919	-2,308
Long Term Liabilities		-411,178	-811,077	-478,865
Net Assets		**611,187**	**324,079**	**588,516**
Usable Reserves	24	95,812	79,235	79,276
Unusable Reserves	25	515,375	244,844	509,240
Total Reserves		**611,187**	**324,079**	**588,516**

CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as: operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash inflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	31-Mar-11 £000	31-Mar-10 £000
Net surplus or deficit on the provision of services	21,758	13,836
Adjust net surplus or deficit on the provision of services for non cash movements	-82,067	-45,290
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	42,794	6,729
Net cash flows from Operating Activities	**-17,515**	**-24,725**
Investing Activities	15,174	8,649
Financing Activities	13,696	-6,247
Net Cash Flows from Operating Activities	**11,355**	**-22,323**
Cash and cash equivalents at the beginning of the reporting period	-66,561	-44,238
Cash and cash equivalents at the end of the reporting period	-55,206	-66,561

Further details are disclosed in Notes 26, 27 and 28 of the supporting information.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2010-11 financial year and its position at the year end of 31 March 2011. It has been prepared in accordance with the 'The Code of Practice on Local Authority Accounting in the United Kingdom' (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and those International Financial Reporting Standards (IFRS) where CIPFA has provided guidance notes.

Changes in Accounting Policies, Estimates or Errors

Where there is a change in an accounting policy, the changes for the current reporting period and where practical the changes resulting from retrospective application are disclosed in each financial statement. Corrections are only made to update accounting estimates or to correct errors where failure to do so would materially misrepresent the Council's financial position.

Accruals of Income and Expenditure

Income and expenditure is accounted for in the year the activity it relates to takes place, not simply when cash is paid or received, i.e. on an accruals basis. This means that income is recorded when it is earned not received and expenditure when it is incurred not when it is paid.

Exceptions to this rule include:

- Rents for council houses - these are due in full on the date the weekly debit is raised. No receipt in advance is recorded for any part of the debit raised in the last week of March that relates to a period after 31 March.
- Payroll Costs – expenses earned in March but not paid until April or later are not accrued for and are recognised in new financial year's accounts.

These exceptions are applied consistently to ensure that 12 months costs are charged each year and there is no material impact on the reported accounts.

Impact of the adoption of IFRS

The statement of accounts is the first to be presented on an IFRS basis. Adoption of the IFRS Code has resulted in the restatement of various balances and transactions, with the result that some amounts represented in the financial statements are different from the equivalent figures presented in the Statements of Accounts for 2009-10.

An explanation of the differences between the amounts presented in the financial statements and the equivalent amounts presented in the 2010-11 financial statements is set out in Note 2.

Cash and Cash Equivalents

Cash comprises cash on hand and recoverable on demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Employee Benefits

Benefits Payable During Employment
The Council recognises the costs of benefits received by current employees (such as wages, salaries or long term benefits) as they are incurred. All costs are charged to the Comprehensive Income and Expenditure Statement.

Payments for Accumulating Compensating Absences (e.g. annual/flexi leave entitlements) are accounted for as they are earned and not when they are taken. Where leave has been earned during the current year but not fully taken (and can be carried forward to the following year), the cost of the earned leave entitlement is recognised in the current year. An annual accrual will be undertaken to reflect these untaken entitlements.

In order to prevent fluctuations in these entitlements from impacting on Council Tax, the year on year change in costs generated by this accrual is transferred to a specific reserve via the Movement in Reserves Statement.

Termination Benefits
Termination benefits are usually payable following compulsory or voluntary redundancy decisions. These include lump-sum payments and enhancement of retirement benefits and salary beyond the period in which the employee provides economic benefit to the authority.

Redundancy and enhanced salary costs are recognised in the Comprehensive Income and Expenditure Statement as soon as the Council is demonstrably committed to incurring the costs. However, enhanced retirement benefits, paid via the Pension Fund, are charged to the General Fund in accordance with the pension regulations, currently over a five year period.

Post Employment Benefits (Pensions)
Most employees of the Council participate in one of two pension schemes to meet the needs of employees in particular services. Both schemes provide final salary defined benefits in the form of lump sums and pensions based on scheme membership earned during employment.

(i) Local Government Pension Scheme
All employees (other than teachers) and councillors, subject to certain qualifying criteria are eligible to join the Local Government Pension Scheme. The scheme is known as the Cheshire Pension Fund and is administered by Cheshire West & Chester Council, in accordance with Pensions Regulations 2008 on behalf of all participating employers.

Under International Accounting Standard 19 (IAS 19) the Local Government Scheme is accounted for as a defined benefit scheme. The liabilities of the Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, which is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees. Those liabilities are discounted to their present day equivalent using the indicative rate of return on a high quality corporate bond.

The assets of the Fund attributable to the Council are included at their fair value on the following basis:

- Quoted securities — current bid price.
- Unquoted securities — market value.
- Unitised securities — current bid price.
- Property — professional estimate

The annual change in the net pension liability is analysed into seven components

A) Current service cost – increases due to service earned this year

B) Past service cost – changes arising from current year decisions which affect the value of service earned in earlier years

C) Interest cost – the expected increase in the present value of liabilities as they move one year closer to being paid

D) Expected return on assets – the investment return on fund assets attributable to the Council, based on average expected long-term returns

E) Gains/Losses on settlements and curtailments – the result of actions that change the scope of the Council's future pension liability or affects the ability of employees to earn benefits in the future

F) Actuarial gains and losses – changes arising because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions

G) Contributions paid to the Fund – cash paid as employer's contributions to the pension fund

Components A-E are charged to the Comprehensive Income and Expenditure Statement (as detailed in Note 46) but statutory provisions restrict the amount that can be charged against the General Fund to the amount payable by the Council to the Pension Fund in the year (G). The difference between these two values is adjusted for in the Movement in Reserves Statement.

(ii)Teachers' Pension Scheme

This scheme is administered by the Teachers' Pensions Agency (TPA), on behalf of the Department for Education (DfE). Although the scheme is unfunded, the Government operates a notional fund as the basis for calculating employers' contributions.

This scheme is accounted for on a defined contribution basis – no liability for future payments is recognised in the Balance Sheet and the Children's and Education service line in the Comprehensive Income and Expenditure Statement is charged the employer's contributions to in the year.

In addition, the Council is responsible for any payments relating to early retirements outside of the standard scheme. This scheme holds no assets and is accounted for on a defined benefit basis using the same policies that are applied to the Local Government Pension Scheme.

Grants and Contributions

All Government grants and other contributions are accounted for on an accruals basis and recognised in the Comprehensive Income and Expenditure Statement as soon as there is reasonable assurance that the money will be received and all conditions attached to the funding will be met.

Specific grants and contributions are shown within the cost of services section of the Comprehensive Income and Expenditure Statement, in line with the service area to which they relate. General Grants such as Revenue Support Grant, Area Based Grant or PFI Grant are shown under Taxation and Non-Specific Grant Income.

No distinction is made between capital and revenue funding at the initial recognition stage but as capital income should not be charged to the General Fund or HRA it is subsequently adjusted out through the Movement in Reserves Statement and credited to:

- The Capital Grants Unapplied Account (until costs have been incurred)
- The Capital Adjustment Account (after costs have been incurred).

Until there is assurance that grant conditions will be met the balance of any cash received is recorded as a revenue or capital receipt in advance and included as a creditor on the Council's Balance Sheet.

Overheads and Support Services

The costs of overheads and support services are allocated within the Net Cost of Services section of the Comprehensive Income and Expenditure Statement in accordance with the costing principles in the CIPFA Best Value Accounting Code of Practice (BVACOP). The full cost of overheads and support services is shared between users in proportion to the benefits received with the exception of

- Corporate and democratic core – costs relating to the Council's status as a multi-functional democratic organisation.
- Non-distributed costs – the cost of discretionary benefits awarded to employees retiring early.

These two categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

Financial Instruments

a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

Annual interest charges to the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the Effective Interest Rate for the instrument.

Discounts and Premiums on Repurchase of Borrowing

Premiums and discounts arise when external loans are repaid prematurely at a time when the market interest rate is above or below the rate being paid on the borrowing. These gains and losses are charged to Financing and Investment Income in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where repurchase has taken place as part of a restructuring of the loan portfolio, regulations allow the impact on the General Fund balance to be spread over future years. The premium or discount is added to the carrying value of the new or modified loan and the amount to be charged against the General Fund or Housing Revenue Account over the life of the loan is calculated using an adjusted effective interest rate.

The length of time over which gains or losses are charged to the General Fund or HRA Balance is determined as follows:

- Gains, giving rise to discounts are credited over the remaining life of the loan being repaid or 10 years, whichever is the shorter.

- Losses giving rise to premiums are charged over the remaining life of the loan being repaid or the life of the new loan, whichever is the shorter.

The difference between the amount charged to the Comprehensive Income and Expenditure Statement and the net cost charged to the General Fund or HRA balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

b) Financial Assets

Loans and Receivables
Loans and receivables are financial assets that have fixed or determinable payments but are not quoted or traded in an active market. Examples include money market deposits, instant access accounts and call accounts.

They are shown in the Balance Sheet at amortised cost, using the effective interest rate applicable to each asset. The amount shown in the Balance Sheet represents the outstanding principal receivable (plus accrued interest) and interest is credited to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement in line with the amount receivable in the year under the loan agreement. Any impairments in the value of the asset or gains or losses on derecognition are also charged to Financing and Investment Income.

Available for Sale Assets
Available for Sale assets are initially measured and carried at fair value based on the following principles;

- Assets with quoted market prices – the bid or market value,
- Assets with fixed and determinable payments – present value of cash flow,
- Equity shares with no quoted market prices - independent appraisal of company valuations.

If fair value cannot be measured reliably, the instrument is carried at cost (less any impairment loss). As with Loans and Receivables, interest is recognised on the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement using the relevant effective interest rate for that asset. Income such as dividends, are recognised when they becomes due.

Changes in the value of the assets are charged to the Comprehensive Income and Expenditure Statement and balanced by entries to the Available for Sale Reserve. Changes to fair value are shown on the 'surplus or deficit on revaluation of financial instruments' line while impairments and any gains or losses on derecognition are shown as 'Financing and Investment Income'.

Non- Current Assets

Expenditure on the acquisition, creation or enhancement of Non-current Assets is capitalised on an accruals basis, provided that it will yield benefits to the Council for more than one financial year. These include intangible assets, property, plant and equipment and investment properties. It would not typically include assets held for sale as they are expected to be disposed of within 12 months.

The costs of these assets may include initial costs of acquisition and construction and subsequent costs to enhance or replace part of the asset. All other expenditure arising from day to day servicing of an assets is recognised in the Comprehensive Income and

Expenditure Statement as the costs are incurred. The Council does not utilise a de-minimis and capitalises any expenditure which has led to the creation or enhancement of a capital asset.

a. Intangible Assets

These are assets that do not have physical substance but are identifiable and are controlled by the Council (e.g. software licences). The Council currently has no internally generated intangible assets.

Software development costs that are directly attributable to bringing a computer system or other computer operated machinery into use are treated as being part of the cost of the related hardware, rather than as a separate intangible asset.

All existing intangible assets have finite lives and are amortised using a straight line basis in line with the consumption of their economic benefits.

b. Investment Assets

Investment Assets is property held solely to earn rental income or for capital appreciation. These include property interests held by the Council under a finance lease and investment property let to a lessee under an operating lease. Where industrial estates are held partly for economic regeneration purposes they are classified as property, plant and equipment not investment properties.

Investment property is measured initially at cost and subsequently at fair value. It is recognised as an asset when it is probable that the future economic benefits that are associated with the investment will flow to the authority and the cost or fair value can be measured reliably.

Any gain or loss experienced on revaluation and any profit or loss on disposal is charged to the 'Financing and Investment' line of the Comprehensive Income and Expenditure Statement. These charges are not proper charges to the General Fund and are subsequently transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

c. Property, Plant and Equipment

These are tangible assets that have a physical substance and are held for operational reasons, i.e. in the production or supply of goods and services or for administrative purposes. This category excludes properties which are held solely for the purpose of generating a financial return (Investment Assets and Assets held for Sale).

Recognition and Valuation

Assets are initially measured at the direct cost of bringing the asset into working condition for its intended use and subsequently using professionally undertaken valuations using bases recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors.

- Historic Cost – Infrastructure, Community and Assets Under Construction
- Fair Value – All other Property, Plant and Equipment assets

Fair Value is the value the asset in its present condition would be exchanged at between knowledgeable parties. Given the nature of many public sector assets it is frequently the case that there is no ready market within which to assess these valuations. Where no evidence exists to support a direct market value assessment other measures are used as a proxy for fair value.

- Property/Land (no clear market value) - depreciated replacement cost
- Vehicles, plant and equipment – depreciated historical cost
- Council housing - existing use value for social housing

All assets held at fair value are subject to revaluation, undertaken when there has been a material change in their value or as a minimum every 5 years. The Council's housing stock is re-valued annually by applying an appropriate housing price index to their value at the start of the financial year.

Gains recognised on revaluation are normally credited to the Revaluation Reserve to recognise an unrealised gain. If the asset had previously been impaired or suffered a revaluation decrease which was charged to the Comprehensive Income & Expenditure Statement then the gain is instead credited to the Comprehensive Income and Expenditure Statement.

Where revaluation losses occur (due to a general fall in prices that is not specific to an asset) the decrease is recognised in the Revaluation Reserve to the extent the asset had previously been revalued upwards and thereafter in the Comprehensive Income & Expenditure Statement.

Componentisation

Where beneficial to the accuracy of the accounts the Council may opt to recognise each of the component parts of a material asset in their own right, e.g. recognising a roof separately from the rest of a building. This may be necessary to reflect the fact that some components of an asset may have an appreciably shorter useful life than the wider asset and will therefore need replacing sooner. Where assets are recognised as their component parts then each element is considered independently for future valuations, depreciation, replacement and disposal accounting.

All assets with a valuation in excess of £2m have been considered for componentisation on their first valuation date after 1st April 2010. Where componentisation is appropriate this has been adopted from the valuation date onwards.

Derecognition

Assets are derecognised on disposal or when no future economic benefits are expected from their use. When Property, Plant and Equipment is disposed of the carrying value is written off to the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement. This cost is subsequently transferred to the Capital Adjustment Account in the Movement in Reserves Statement.

Any receipts generated by the disposal are credited to the same line of the Comprehensive Income and Expenditure Statement to show the overall profit or loss on disposal. A proportion of the receipts from Housing disposals (25%) are set aside for repayment to Government and the remaining receipts are transferred to the Capital Receipts Reserve in the Movement in Reserves Statement.

Any outstanding balance on the revaluation reserve for derecognised assets is transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

Charges to Revenue for Non-Current Assets

Service lines in the Comprehensive Income and Expenditure Statement are charged with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation and Amortisation of assets used by the service.
- Revaluation and Impairment losses on assets used by the service

The Council is not required to raise council tax to cover these costs, however it is required to set aside an annual contribution from revenue towards its overall borrowing requirement. Depreciation, impairment losses and amortisation losses are therefore replaced by the Minimum Revenue Provision by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement

Depreciation

Depreciation is provided for on all property, plant and equipment with the exception of:

- Land or other assets without a determinable useful life
- Assets Under Construction as they are not being used yet

Charges commence when the asset is available for use and cease on derecognition. Depreciation is calculated on a straight-line basis over the useful life of the assets, except in the case of council housing, which is depreciated by the Major Repairs Allowance (MRA) annually.

Depreciation charges are applied annually to the carrying balances and are reflected in the Comprehensive Income and Expenditure Statement. The residual value, useful life and depreciation method are reviewed at least annually. If expectations differ from previous estimates the changes will be accounted for as a change in an accounting estimate. The useful lives and depreciation rates used for depreciating capital assets are set out in Note 12 to these accounts.

Depreciation is calculated on revaluation gains as the difference between depreciation as calculated on current value and that calculated on historic cost. This difference is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Impairment

An impairment loss is a consumption of economic benefit that is specific to an asset. An annual assessment is undertaken as to whether there is any indication that an asset has been impaired in order to ensure that assets are carried at no more than their recoverable amount.

If an impairment has occurred the loss is recognised initially in the Revaluation Reserve (up to value, if any, held for that asset) and thereafter in the Comprehensive Income and Expenditure Statement.

Depreciation charges and impairments are not proper charges to the General Fund and their impact on the General Fund is reversed by a transfer to the Capital Adjustment Account through the Movement in Reserves Statement.

Assets Held for Sale

These are assets which are being actively marketed for sale and where the Council expects that sale to go through in the next 12 months. They are identified separately as the value in the Balance Sheet will be recovered principally through a sale transaction rather than through future continued use. As the sale is anticipated within 12 months these are held as a current asset on the Balance Sheet and are valued based on the lower of their carrying amount and their fair (market) value.

Borrowing Costs

Where it has been necessary for the Council to undertake significant external borrowing to finance the creation or enhancement of a capital asset then the interest costs incurred up to the works completion date will be capitalised as part of the initial asset value.

Where borrowing is not undertaken for a specific project the cost will be assessed using the average interest rate payable by the Council over the relevant time period.

Revenue Expenditure funded by Capital under Statute

Revenue Expenditure funded by Capital under Statute represents expenditure incurred during the year that may be capitalised under statutory provisions but does not result in a Council asset being created. The expenditure may support a third party's asset (e.g. home improvement grants) or may be being capitalised based on a capitalisation order from Government.

This expenditure is initially charged to the relevant service within the Comprehensive Income and Expenditure Statement and then adjusted for by charging the Capital Adjustment Account and crediting the General Fund Balance in the Movement in Reserves Statement. The purpose of this is to enable the expenditure to be funded from capital resources rather than charged to the General Fund and impact on the level of council tax.

Leases and Lease-type arrangements

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. This judgement is made at the inception of the lease using criteria set out in International Accounting Standard 17. Arrangements that are not legally leases but convey a right to use an asset in return for a payment are subject to the same accounting treatment as if they were in fact a lease.

(i) Finance Leases

Where the Council enters into Finance Leases for assets, it reflects the value of the assets acquired at the lower of their fair value and the present value of minimum lease payments required by the contract. The resulting asset is matched by a creditor reflecting the obligation to pay future lease payments.

The annual lease payment is apportioned between;

- The costs of acquiring the original interest in the property which is charged against the liability in the balance sheet; and
- A finance charge made to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement.

The asset created is treated as per any other Council asset of its type and is depreciated, impaired and revalued as appropriate. The only variation is that unlike for owned assets depreciation is charged in the year of acquisition, not deferred until the first full operational year. The charges are not payable from Council Tax so these costs are reimbursed in the

Movement in Reserves Statement from the Capital Adjustment Account.

There are currently no assets where the Councils acts as lessor under a finance lease.

(ii) Operating Leases
Leases that do not meet the definition of a finance lease are accounted for as operating leases. Where the Council acts as lessee all lease payments are expensed to the Comprehensive Income and Expenditure Statement as they become payable under the lease.

Where the Council is the lessor all income is credited to the Comprehensive Income and Expenditure Statement as it becomes due. The Council holds the asset on its balance sheet and treats it in accordance with its non-current asset policies.

Private Finance Initiatives (PFI) and Service Concessions

PFI contracts are agreements for the Council to receive services under a contract where the contractor takes on responsibility for creating and maintaining the assets needed to deliver the service.

All assets created under PFI contracts need to be considered to determine whether or not the assets are reported on the balance sheet of the Council or of the PFI contractor.

The schemes are assessed against criteria set out under International Financial Reporting Standards (IFRIC 12), namely:

- Are the assets being used to deliver a public service
- Does the Council significantly influence who can access the facilities
- Does ownership of the asset revert to the Council at the end of the PFI contract (or does the Council have an option to take back the assets)

For the Council’s two PFI schemes all these conditions are met and the Council reflects the value of the properties used under the contracts on the Balance Sheet. These assets are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

As with Finance Leases the original recognition of the assets was balanced by the recognition of the liability for amounts payable to the scheme operator in return of use of the assets. The amounts payable to the PFI operators each year are analysed into five elements (shown in Note 41 to the accounts):

- Fair value of the services received during each year – debited to a service line in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability is charged to Financing and Investment Income in the Comprehensive Income and Expenditure Statement.
- Contingent rent – inflationary increases in the amount to be paid for the property arising during the contract, charged to Financing and Investment Income in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.

- Lifecycle replacement costs – Recognised as expenditure on fixed assets and added to the asset on the balance sheet.

Provisions, Contingent Assets and Liabilities

Provisions are shown where a past event has placed the Council in a position where it has an obligation that is likely to lead to it incurring a cost. The precise timing and value of the cost may be unknown but can be reliably estimated.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. Estimates are reviewed at the end of each financial year and any changes are reflected within relevant service revenue accounts. When payments related to the obligation are eventually made they are charged to the provision set up in the balance sheet.

Contingent assets and liabilities are obligations or assets arising from past events where:

- the existence or value of the obligation is dependent on future events which are outside the control of the Council
- It is not probable that a flow of economic benefits will be required to settle the obligation, or
- The obligation/contingent asset cannot be easily quantified.

Contingent Assets and Liabilities are not recognised in the Balance Sheet but are disclosed in Notes 47 and 48. The disclosures will set out both the scale of potential costs and the likelihood of these being realised.

Landfill Allowance Trading Scheme (LATS)

The LATS scheme operates for 15 annual compliance periods between 1 April 2005 and 31 March 2020. The scheme allocates tradable landfill allowances to each waste disposal authority in England. The Council can also buy, sell or carry forward landfill allowance depending on usage requirements.

Allowances are classified as current assets and measured at the weighted average value at which 2010-11 allowances are traded. Any penalty payment due to DEFRA in respect of landfill usage is shown as a liability and any carryforward balances are shown against earmarked reserves.

Reserves

The Council maintains a range of reserves, reflecting both the extent to which its overall assets exceed its liabilities and any restrictions (statutory or voluntary) which are placed upon the usage of these balances. The main unrestricted reserve used to hold available Council funds is the General Fund.

The Council has discretion to set aside specific amounts as reserves where they wish to earmark available funds for future policy purposes, to cover contingencies or manage cash flows. These are summarised in Note 9.

Expenditure to be financed from an earmarked reserve is initially shown as a cost in the Comprehensive Income and Expenditure Statement. An offsetting transfer is then recorded on the Movement in Reserves Statement to ensure that there is no impact on the General Fund or Council Tax.

A number of reserves exist to manage the accounting for non-current assets, financial instruments and employee benefits; these do not represent usable funds for the Council, these are explained in the relevant policies and notes.

The Councils Accounts include a number of reserves which are held jointly on behalf of itself and Cheshire East Borough Council. The purposes and sharing arrangements for these balances are set out under the relevant notes.

Insurance

Cheshire West & Chester Council is required to meet a proportion of the cost arising from claims which are not covered by insurance in respect of fire and consequential loss, public and employers' liability, and vehicles. An Insurance Fund has been established to meet these costs, with annual contributions being charged to the Comprehensive Income and Expenditure Statement.

The Fund is split into a provision (for known claims relating to past events) and a reserve (estimated future claims). An independent actuarial review is carried out every three years to review the amounts set aside in both the provision and reserve.

Interest in Companies and Other Entities

The Council has interests in two companies;

- Chester Renaissance Ltd, a controlled company set up by the former Chester City Council to achieve or further the economic growth and development of the City of Chester. The Council exercises 100% control over its activities.
- Cheshire Connexions, a controlled company set up to promote employment and learning opportunities for young people across Cheshire. The ownership is split into equal thirds for Warrington Borough Council, Cheshire West & Chester Council and Cheshire East Council.

The results of both companies indicate that there were no material transactions to report for 2010-11 and that there is no requirement to produce group accounts for the year.

Shared Services agreement with Cheshire East Council

The Council has entered into an agreement with Cheshire East Council to deliver services via a shared services agreement. Services which could be operated as part of a shared services arrangement have been determined and assessed using the criteria of maintaining operational efficiency and identifying those services that utilised a single infrastructure that could not be disaggregated economically or in the short term. Details of the services provided through a shared service arrangement are shown in Note 51.

The Shared Services are not a separate entity apart from the Council and is used only as a means for each participant to carry on its own business. The arrangements are accounted for as jointly controlled operations in accordance with International Accounting Standard 31 (IAS 31). Each authority accounts directly for its part of the assets, liabilities, income, expenditure and cash flows held within or arising from the structure.

Pooled Budgets

Cheshire West and Chester operated a pooled budget in partnership with Cheshire East Borough Council and the two local Primary Care Trusts for the care costs of Adult with Learning Disabilities until 31 March 2010. This partnership was terminated at that date in

favour of more local working with health partners.

Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

Agency Income and Expenditure

Under various statutory powers, an authority may agree with other local authorities, water companies and government departments to do work on their behalf. The body carrying out agency services is reimbursed by the responsible body to the extent of approved expenditure together with any agreed contribution toward administrative costs.

Cheshire West & Chester Council has acted as an agent on behalf of:

- Major preceptors – Cheshire Police and Cheshire Fire Services in the collection of Council Tax.

- Central Government in collecting National Non-Domestic Rates (NNDR) and paid the sums collected over to Central Government less the amount retained in respect of the cost of collection allowance.

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors. The amount credited to the General Fund under statute is an authority's precept or demand for the year plus or minus the authority's share of the surplus/deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the authority from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for NNDR

As the Council acts as an agent in the collection of NNDR income it does not include the financial position with regard to the rate payers and only reports the net cash position with Central Government in its Balance Sheet.

The Council maintains records of NNDR arrears, impairment allowances, prepayments and overpayments in its underlying accounting records, however for final accounts purposes these balances are consolidated into a single agency account, with the figures netting down to the debtor/creditor to the national pool. This consolidation is set out in Note 32.

The cost of collection allowance received by Cheshire West & Chester Council is the billing authority's income and is included in the Comprehensive Income and Expenditure Statement.

2. Impact of the Adoption of International Financial Reporting Standards

The Statement of Accounts for 2010-11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009-10. The move to an IFRS accounting basis also requires that the opening balance sheet for the preceding financial year is restated.

An explanation of the differences between the amounts presented in the 2009-10 financial statements and the equivalent amounts presented in the 2010-11 financial statements is set out in the following tables and notes that accompany the tables. This note only sets out the changes resulting from IFRS restatement; a prior period adjustment to the Pension balances has also been reflected in the 2009-10 comparative information, details of this change are set out in Note 52.

Reconciliation of Net Worth Reported Under Previous GAAP to Net Worth Under IFRS at the Date of Transition to IFRS (1 April 2009)

Note Ref	2009-10 April 09 SOA GAAP £000	Accum Absences a £000	Grants & Contribns b £000	Finance Leases c £000	Cash & Cash Equivalents d £000	Assets e £000	IFRS Restated Apr 09 Balance Sheet £000
Property, Plant & Equipment	879,995			1,224		3,125	884,344
Investment Property	102,028					8,449	110,477
Intangible Assets	644						644
Long Term Investments	4						4
Long Term Debtors	7,202						7,202
Long Term Assets	**989,873**	**0**	**0**	**1,224**	**0**	**11,574**	**1,002,671**
Short Term Investments	46,508				-7,766		38,742
Assets Held for Sale	13,522					-11,313	2,209
Inventories	1,432						1,432
Short Term Debtors	29,892						29,892
Cash and Cash Equivalents	36,472				7,766		44,238
Landfill Allowances Trading	0						0
Current Assets	**127,826**	**0**	**0**	**0**	**0**	**-11,313**	**116,513**
Short Term Borrowing							0
Short Term Creditors	-46,067		6,182				-39,885
Provisions<1Year	-2,108	-9,810					-11,918
Current Liabilities	**-48,175**	**-9,810**	**6,182**	**0**	**0**	**0**	**-51,803**
Long Term Creditors	-16,019		-1,525				-17,544
Provisions >1 Year	-201						-201
Long Term Borrrowing	-144,464						-144,464
Other Long Term Liabilities	-317,230			-1,487			-318,717
Government Grants Deferred	-80,583		80,583				0
Developer Contribs Unapplied	-9,354		9,354				0
Capital Grants in Advance			-2,308				-2,308
Long Term Liabilities	**-567,851**	**0**	**86,104**	**-1,487**	**0**	**0**	**-483,234**
Net Assets	**501,673**	**-9,810**	**92,286**	**-263**	**0**	**261**	**584,147**

Note Ref	2009-10 April 09 SOA GAAP £000	Accumulated Absences a £000	Grants & Contributions b £000	Finance Leases c £000	Cash & Cash Equivalents d £000	Assets e £000	IFRS Restated Apr 09 Balance Sheet £000
Usable Reserves							
General Fund	20,044						20,044
Capital Reserve/Usable Capital Receipts	29,341						29,341
Major Repairs	837						837
Housing Revenue Account	1,589						1,589
PFI Reserves	2,900						2,900
Other Earmarked Reserves	12,466		3,937				16,403
Capital Grants Unapplied			7,766				7,766
Insurance Reserve	396						396
	67,573	**0**	**11,703**	**0**	**0**	**0**	**79,276**
Unusable Reserves							
Revaluation Reserve	17,997					-6,887	11,110
Available for Sale Reserve	132						132
Pensions Reserve	-299,965						-299,965
Capital Adjustment Account	718,782		80,583	-263		7,148	806,250
Deferred Capital Receipts	109						109
Financial Instruments Adjustment Account	-1,540						-1,540
Collection Fund Adjustment Account	-1,415						-1,415
Short Term Accumulated Absences Account		-9,810					-9,810
	434,100	**-9,810**	**80,583**	**-263**	**0**	**261**	**504,871**
Total Reserves	**501,673**	**-9,810**	**92,286**	**-263**	**0**	**261**	**584,147**

Reconciliation of Net Worth Reported under Previous GAAP to Net Worth under IFRS as at 31 March 2010

Note Ref	2009-10 Closing Balance Sheet £000	Opening Balance Sheet Adj £000	Accumulated Absences a £000	Grants & Contributions b £000	Finance Leases c £000	Assets e £000	IFRS Restated 2009-10 Closing Balance Sheet £000
Property, Plant & Equipment	962,572	4,349			-210	-43	966,668
Investment Property	111,191	8,449				1,631	121,271
Intangible Assets	316						316
Long Term Investments	1,049						1,049
Long Term Debtors	7,686						7,686
Long Term Assets	**1,082,814**	**12,798**	**0**	**0**	**-210**	**1,588**	**1,096,990**
Short Term Investments	12,015						12,015
Assets Held for Sale	13,517	-11,313				-1,500	704
Inventories	1,479						1,479
Short Term Debtors	94,416			-2,502			91,914
Cash and Cash Equivalents	66,561						66,561
Landfill Allowances Trading Scheme	1,291						1,291
Current Assets	**189,279**	**-11,313**	**0**	**-2,502**	**0**	**-1,500**	**173,964**
Short Term Borrowing	-13,920						-13,920
Short Term Creditors	-134,432	6,182		16,010	-701		-112,941
Provisions<1 Year	-1,076	-9,810	1,949				-8,937
Current Liabilities	**-149,428**	**-3,628**	**1,949**	**16,010**	**-701**	**0**	**-135,798**
Long Term Creditors	-12,485	-1,525		10			-14,000
Provisions>1 Year	-1,616						-1,616
Long Term Borrrowing	-142,309						-142,309
Other Long Term Liabilities	-643,566	-1,487			867		-644,186
Government Grants Deferred	-97,719	80,583		17,136			0
Developer Contributions Unapplied	-11,290	9,354		1,936			0
Capital Grants Receipts in Advance		-2,308		-12,611			-14,919
Long Term Liabilities	**-908,985**	**84,617**	**0**	**6,471**	**867**	**0**	**-817,030**
Net Assets	**213,680**	**82,474**	**1,949**	**19,979**	**-44**	**88**	**318,126**

The “opening balance sheet adjustment” column contains the net effect of all the changes outlined on the previous two pages as they will impact on both the opening and closing balances for 2009-10.

Note Ref	2009-10 Closing Balance Sheet £000	Opening Balance Sheet Adj £000	Accumulated Absences a £000	Grants & Contributions b £000	Finance Leases c £000	Assets e £000	IFRS Restated 2009-10 Closing Balance Sheet £000
Usable Reserves							
General Fund	19,465						19,465
Capital Reserve/Usable Capital Receipts	19,072						19,072
Major Repairs							
Housing Revenue Account	1,318						1,318
PFI Reserves	3,369						3,369
Other Earmarked Reserves	15,097	3,937		3,215			22,249
Capital Grants Unapplied		7,766		4,442			12,208
Insurance Reserve	1,554						1,554
	59,875	**11,703**	**0**	**7,657**	**0**	**0**	**79,235**
Unusable Reserves							
Revaluation Reserve	54,176	-6,887				-14,505	32,784
Available for Sale Reserve	-21						-21
Pensions Reserve	-603,966						-603,966
Capital Adjustment Account	706,238	87,468		12,322	-44	14,593	820,577
Deferred Capital Receipts	71						71
Financial Instruments Adjustment Account	-1,282						-1,282
Collection Fund Adjustment Account	-1,411						-1,411
Short Term Accumulated Absences Account		-9,810	1,949				-7,861
	153,805	**70,771**	**1,949**	**12,322**	**-44**	**88**	**238,891**
Total Reserves	**213,680**	**82,474**	**1,949**	**19,979**	**-44**	**88**	**318,126**

Restatement of Comparative Total Comprehensive Income and Expenditure Under IFRS for Year Ended 31 March 2010

	2009-10 31 Mar SOA GAAP £000	Recategorisation £000	Accumulated Absences £000	Grants & Contributions £000	Finance Leases £000	Investment Property £000	Restated 2009-10 CIES £000
Central Services to the Public	2,231	437	11				2,679
Education & Children's Services	52,338	492	-2,131	526	-27		51,198
Adult Social Care	85,434		31				85,465
Cultural, Environmental, Regulatory & Planning Services	64,448	-921	46	2,131			65,704
Highways & Transport Services	32,772		16	3,034	-59		35,763
Other Housing Services	4,174		6	1,140			5,320
Local Authority Housing (HRA)	-1,285		17				-1,268
Courts Services	437	-437					0
Corporate & Democratic Core	4,396		44				4,440
Non Distributed Costs	992						992
Exceptional Items	19,031						19,031
Cost of Services	**264,968**	**-429**	**-1,960**	**6,831**	**-86**	**0**	**269,324**
Other Operating Expenditure							
Loss on Disposal of Fixed Assets	1,260	-443		1,898		729	3,444
Preserved Right to Buy Receipts	-443	443					0
Levies		219					219
Precepts Paid to Parish Councils	2,295						2,295
Housing Pooled Capital Receipts	179						179
Other Operating Income and Expenditure	24,485	-25,838					-1,353
Financing & Investment Income and Expenditure							
Investment Income		-1,355					-1,355
Interest Payable		8,585			131		8,716
Income and Expenditure Relating to Investment Properties						-5,485	-5,485
Profit/loss on Investment Properties						-729	-729
Trading Accounts not Related to a Particular Service		-235	11				-224
Revaluation gain/loss on Investment Properties						-13,223	-13,223
Pensions Interest and Expected Return on Assets		23,412					23,412
Taxation & Non Specific Grant Income							
Capital Grants and Contributions				-28955			-28,955
Demand on the Collection Fund	-150100						-150,100
General Government Grants	-110061						-110,061
Surplus or Deficit on the Provision of Services	**32,583**	**4,359**	**-1,949**	**-20,226**	**45**	**-18,708**	**-3,896**
Surplus or Deficit on Revaluation of Non Current Assets	-36,240					14,505	**-21,735**
Surplus or Deficit on Revaluation of Available for Sale Assets	153						**153**
Actuarial Gains/Losses on Pension Assets/Liabilities	291,498						**291,498**
Other Comprehensive Income and Expenditure	**255,411**	**0**	**0**	**0**	**0**	**14,505**	**269,916**
Total Comprehensive Income and Expenditure	**287,994**	**6,009**	**-1,949**	**-20,226**	**45**	**-5,853**	**266,020**

2a. Short Term Accumulating Compensated Absences

Short term accumulating absences are benefits that employees receive as part of their contract of employment, entitlement to which is built up as employees provide services to the Council. The most significant benefits covered by this heading are holiday pay and flexi leave.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual/flexi leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

The adjustments made to the service lines in the Comprehensive Income and Expenditure Statement for 2009-10 show the net effect of the reversal of the prior year accrual and the charge made for the current year.

2b. Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable, with the exception of grants where there are conditions attached and the conditions have not yet been satisfied. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- Portions of government grants deferred were previously recognised as income in 2009-10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Capital grants and contributions recognised in year in the Comprehensive Income and Expenditure Statement have been shown within the Taxation and Non Specific Grant Income section.

Revenue grants and contributions have also been recognised in the Comprehensive Income and Expenditure Statement, unless conditions remain attached to the funding. Where the expenditure to be funded by the grant or contribution has not yet been incurred the funding has been appropriated to earmarked reserves until such time as it is required.

2c. Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease

being accounted for as an operating lease where it was previously treated as a finance lease, or vice versa.

In addition, under the Code, the classification of leases is subject to different criteria to those applied under the SoRP. Leases are assessed against a number of indicators to determine whether substantially all the risks and rewards associated with the asset transfer to the Council.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations allow it to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Council has 129 leases where the accounting treatment has changed following the introduction of the Code. These leases are all on pieces of equipment the Council has leased under contracts ranging between 3 and 7 years in length. These leases were previously shown as operating leases as less than 90% of the fair value was payable over the lease term but in the wider consideration under IFRS the balance of risks and rewards sits with the Council so they have been reclassified as finance leases. Most leases were for equipment used in educational establishments.

As a consequence of classifying these leases as finance leases, the financial statements have been amended as follows:

- The Council has recognised an asset and a finance lease liability.
- The operating lease charges within the (relevant BVACOP headings) lines in the Comprehensive Income and Expenditure Statement have been reduced by the value of the lease payment made.
- The finance lease liability on the balance sheet has been written down by an amount equal to the repayment of principal.
- Depreciation charges have been included in the (relevant BVACOP headings) lines in the Comprehensive Income and Expenditure Statement.
- The depreciation charges have been transferred from the General Fund to the Capital Adjustment Account and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010 and the adjustments that relate to 2009-10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payment has been charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

2d. Cash and Cash Equivalents

Under the Code, any short term, highly liquid investments that are held for cashflow purposes rather than for investment gain or for capital appreciation are required to be

shown as cash equivalents. As a result of this requirement the Council has reclassified some of its short term investments as cash equivalents.

2e. Assets

The Code introduces a number of changes with regard to assets. The main changes that are reflected in the re-statements are:

- New, stricter, criteria for Held for Sale assets. This change has resulted in a number of assets that were previously shown as Held for Sale being re-categorised as Investment Properties or Surplus Assets.

- All gains and losses and income and expenditure relating to Investment Properties are reflected in the Comprehensive Income and Expenditure Statement. This has resulted in changes to both the revenue account and to the Revaluation Reserve and Capital Adjustment Account.

2f. Re-categorisation

The new format of the Comprehensive Income and Expenditure Statement has resulted in a number of re-categorisations:

- Interest payable and interest receivable are shown in the Financing and Investment Income and Expenditure section

- Pensions interest cost and return on pension assets are shown in the Financing and Investment Income and Expenditure section

- Trading Accounts (not attributable to a service) are shown in the Financing and Investment Income and Expenditure section.

These were all previously shown in the Other Operating Expenditure section.

3. Accounting Standards that have been issued, but have not yet been adopted

Heritage Assets – The Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011-12 financial statements. This is due to the adoption of FRS 30.

Although the full adoption of the new standard is effective for the 2011-12 financial statements, the Council is required to make disclosure of the estimated effect of the new standard in the 2010-11 Accounts. The new standard requires recognition of a new category of non current asset, Heritage Assets.

Heritage assets are assets that are held primarily for their contribution to knowledge or culture. The heritage assets held by the Council are largely the collections of assets and artefacts that are exhibited or stored in the Council's museums. The main categories of heritage assets held include:

- Natural and social history exhibits
- Works of art
- Archaeological artefacts
- Archives
- Civic Regalia

Some of these assets are already reflected on the Council's balance sheet, under the category of Community Assets and are accounted for at depreciated historical cost. The remaining assets are not currently recognised on the balance sheet as no information is available on the cost of the assets (these assets are however recorded on inventories maintained by the curators of the museums, along with insurance valuation information).

The Code will require that heritage assets are measured at valuation in the 2011-12 financial statements, including the 2010-11 comparative information). The 2011-12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the Council will be able to recognise more of its collections of heritage assets on the Balance Sheet. The Council anticipates that it will be able to recognise its natural and social history exhibits, works of art, archives and civic regalia assets on the Balance Sheet, using as its base the Council's detailed insurance valuations, which are based on market values. The Council is unlikely to be able to recognise the majority of its archaeological artefacts in future financial statements as it is of the view that obtaining valuations for the vast majority of these items would involve a disproportionate cost to obtain the information in comparison to the benefits to the users of the accounts, this exemption is permitted by the 2011-12 Code.

The carrying value of heritage assets held on the Balance Sheet as community assets as at 1 April 2010 is £0.1m which is considered to be a reasonable approximation of their fair value. The Council estimates that the value of its natural and social history exhibits, works of art, archives and civic regalia assets, from its insurance records, is £15.3m As these assets have not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve of £15.3m. It is therefore estimated that the total value of heritage assets to be recognised in the Balance Sheet at 1 April 2010 is £15.4m.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge will be immaterial. The Council considers that the

heritage assets held will have indeterminate lives and high residual value and the Council therefore does not consider it appropriate to charge depreciation for these assets.

4. Critical Judgments in applying Accounting Policies

In applying the accounting policies set out in Note 1, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- As described in note 50, the Council's Youth Service is provided by Connexions. On creation of the company, the former County Council agreed to act as guarantor for any pension liability of the company. This means that should the company fail, the Council or its successor bodies, would be liable for making up any pension shortfall, either by making agreed payments to the Pension Fund, or by in-sourcing the service and taking on the responsibility for the pension contributions. Following Local Government Reorganisation in 2009, Cheshire West and Chester inherited a share of this responsibility. At 31 March 2011 the company had a pension liability of £0.9m. No account of this potential liability has been recorded in the accounts as there is no recognised liability at this point in time, however, a contingent liability has been recorded in note 47.

- The Council has, for a number of years, been working on a project to deliver Waste Management Services via a PFI contract. The project has been jointly procured with Cheshire East Borough Council. A significant amount of costs have been incurred to date and the preferred bidder has been selected. Some of the costs incurred would have been capitalised on completion of the scheme in recognition of their direct linkage to bringing the new facilities into existence. At present, these costs are reflected in Assets Under Construction on the balance sheet.

  In October 2010 the Council was notified that PFI funding was being withdrawn, making the scheme unaffordable. The Council had made a legal challenge against this decision, however, at the time of preparation of the accounts the issue remained unresolved. The Council is also awaiting the result of a capitalisation direction bid to central government to allow it to capitalise the costs should the legal challenge not succeed. Given all the above factors and Counsel's advice on the strength of the legal challenge, the Council considers that it is reasonable to continue to show the costs incurred on the balance sheet as an Asset Under Construction (£2.8m) rather than as a charge to revenue. However, a contingent liability has been recognised in note 47.

- The Council has determined that it controls both the services provided and the residual value of the assets used in its PFI contracts for Extra Care Housing and Ellesmere Port schools. Consequently, the assets relating to these contracts (£31m) have been recognised on the balance sheet as Property, Plant and Equipment, in accordance with IFRIC 12.

- As a consequence of the collapse of Heritable Bank in October 2008, the amounts deposited with the bank (£8.5m) by the former County Council were frozen. Cheshire West & Chester Council inherited 45.73% of these deposits. Several dividends have already been paid to the Council and taking into account the future dividends expected it is anticipated that around 85% of the total amount due will be repaid. The 2010-11 accounts have therefore been prepared taking these estimates into account.

5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	The Council revalues its assets on a five year rolling cycle, with one fifth of all assets being reviewed each year. It is possible that property values could fluctuate considerably within this five year timeframe. It also bases its valuations on assumptions about asset conditions, useful lives, residual values and market conditions. These judgements are underpinned by the best available information and made by qualified valuers but are still based on estimates.	A 1% fluctuation in property values would amount to £10m being reduced from the Non Current Assets value on the Balance Sheet. Should remaining asset lives fall by an average of 10%, then there would be a corresponding 11% increase in annual depreciation charges, approx £3m.
Insurance Reserve	The insurance reserve holds funding set aside to meet the cost of future potential insurance claims. The amounts set aside are based on estimates from an independent actuarial review carried out every three years. However, an increase in the anticipated level of insurance claims arising from factors such as damage to roads as a result of severe winter weather could result in insufficient funds being set aside to meet the cost of claims.	If the level of increased claims required a 10% increase in the insurance reserve this would amount to £100,000 which would be chargeable to the General Fund through the Movement in Reserves Statement.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase,	The pensions' liability and reserve will vary should any of the assumptions prove inaccurate. For instance, a 0.5% increase in the discount

	changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council is advised on the assumptions it makes by Hymans Robertson, a firm of professional actuaries. Assumptions are disclosed in Note 46 and reflect best advice on reasonable judgements to make at 31st March 2011.	rate would decrease the pension liability by £87m. Where assumptions change the impacts are reported as actuarial gains and losses within Other Income and Expenditure. These changes only impact on the Pensions Liability and Reserve and not the General Fund.
Impairment of debtors	At 31 March 2011 the Council had a debtors balance of £69.3m. A review of significant debtor balances has been undertaken and a debtors' impairment figure of £10.4m has been set aside in the accounts.	Should the economic factors mean that such an allowance is insufficient then there will be a fall in assets and a charge to the Income and Expenditure Statement. This cost may ultimately fall to the General Fund, HRA Balance or the Collection Fund depending on the nature of the debt. Should an additional 5% of debts prove to be uncollectible (above the amount set aside) there would be a cost of £3.5m to the Council's reserves.

6. Material Items of Income and Expense

Exceptional items are ones that fall within the ordinary activities of the Council but are material in terms of the authority's overall expenditure and not expected to recur frequently or regularly. Exceptional items are included on the face of the Comprehensive Income and Expenditure Statement where it is felt that the costs are so significant as to warrant a separate disclosure. The Council has not incurred any exceptional costs or income in 2010-11.

7. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Resources on XX September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010-11	**Usable Reserves**					
	General Fund Balance £000	**Housing Revenue Account £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):						
Charges for depreciation and impairment of non-current assets	-50,084	-3,525				53,609
Revaluation, losses on Property Plant and Equipment	-45,518	-55,475				100,993
Movements in the market value of Investment Properties and Assets Held for Sale	45					-45
Amortisation of intangible assets	-169					169
Capital Grants and contributions applied	20,947					-20,947
Revenue expenditure funded from capital under statute	-9,443					9,443
Non-current assets written off upon disposal or sale as part of the gains/losses on disposal to the CIES	-18,339	-205				18,544
Insertion of items not debited or credited to the CIES						
Statutory provision for the financing of capital investment	8,810					-8,810
Capital expenditure charged against the General Fund and HRA	4,522	330				-4,852
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CIES	9,783				-9,783	0
Application of grants to capital financing transferred to the Capital Adjustment Account					1,431	-1,431
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	1,880	299	-2,179			0
Use of Capital Receipts Reserve to finance new capital			5,576			-5,576
Contributions from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-6	-7	13			0
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	-244		244			0
Transfer from Deferred Capital Receipts upon receipt of cash			-19			19
Adjustment primarily involving the Major Repairs reserve:						
Reversal of Major Repairs Allowance credited to the HRA		3,525		-3,525		0
Use of the Major Repairs Reserve to finance new capital expenditure				3,525		-3,525
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from charges those chargeable under statutory requirements	10	172				-182
Adjustments primarily involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES.	64,474	-1,068				-63,406
Employer's pension contributions and direct payments to pensioners payable in the year	34,562	695				-35,257
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the CIES differs from income calculated in accordance with statutory	951					-951
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-584	44				540
Total Adjustments	**21,597**	**-55,215**	**3,635**	**0**	**-8,352**	**38,335**

2009-10 Comparators	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):						
Charges for depreciation and impairment of non-current assets	-24,492	-3,512				28,004
Revaluation, losses on Property Plant and Equipment	-7,671					7,671
Movements in the market value of Investment Properties and Assets Held for Sale	13,223					-13,223
Amortisation of intangible assets	-328					328
Capital Grants and contributions applied	25,101					-25,101
Revenue expenditure funded from capital under statute	-11,582					11,582
Non-current assets written off upon disposal or sale as part of the gains/losses on disposal to the CIES	-13,237	-112				13,349
Insertion of items not debited or credited to the CIES						
Statutory provision for the financing of capital investment	7,969					-7,969
Capital expenditure charged against the General Fund and HRA	2,899	695				-3,594
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CIES	4,662				-4,662	0
Application of grants to capital financing transferred to the Capital Adjustment Account					220	-220
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	10,411	223	-10,634			0
Use of Capital Receipts Reserve to finance new capital			20,741			-20,741
Contributions from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		-12	12			0
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	-179		179			0
Transfer from Deferred Capital Receipts upon receipt of cash			-35			35
Adjustment primarily involving the Major Repairs reserve:						
Reversal of Major Repairs Allowance credited to the HRA		3,512		-3,512		0
Use of the Major Repairs Reserve to finance new capital expenditure				4,349		-4,349
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from charges those chargeable under statutory requirements	53	205				-258
Adjustments primarily involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES.	-47,984	-551				48,535
Employer's pension contributions and direct payments to pensioners payable in the year	35,966	341				-36,307
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the CIES differs from income calculated in accordance with statutory requirements	4					-4
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,966	-17				-1,949
Total Adjustments	**-3,219**	**772**	**10,263**	**837**	**-4,442**	**-4,211**

9. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to meet expenditure in 2010-11.

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
General Fund:							
Insurance reserve	396	-35	1,193	1,554	-564	22	1,012
PFI Reserves	2,900	-1,250	1,719	3,369	-15	393	3,747
Revenue Grants Unapplied	3,937	0	3,215	7,152	-7,152	6,353	6,353
Sums held by Resource Centre Manager	616	-616	2,148	2,148	-2,148	1,819	1,819
Childrens Services Improvements Reserve	0	0	0	0	0	1,700	1,700
Local Authority Elections Reserve	80	-8	0	72	0	491	563
Learning Resource Network	0	0	2,136	2,136	-1,143	0	993
Pay Protection	0	0	820	820	0	500	1,320
3C Waste Reserve	1,350	-46	5	1,309	0	0	1,309
Northgate Development	0	0	0	0	-363	2,000	1,637
Joint Property Runnng costs	0	0	0	0	-45	1,626	1,581
Long Term Liabilities	0	0	0	0	0	1,400	1,400
LGR Reserve	0	0	700	700	-700	0	0
Early Retirement Reserve	0	0	106	106	-26	0	80
LABGI Reserve	177	-44	0	133	0	0	133
Economic Development	150	0	0	150	-150	0	0
LPSA Reserve	2,175	-1,939	0	236	-236	0	0
Open Spaces Maintenance Reserve	285	0	47	332	0	0	332
Open Spaces Fees Reserve	182	0	0	182	-182	0	0
Education All Risks Scheme (EARS)	306	-19	163	450	0	110	560
Long Term Sickness	118	-667	842	293	-56	0	237
Fluctuation in School Days	0	0	214	214	-214	60	60
Northwich Vision	276	0	0	276	0	0	276
Other Reserves and Balances	1,732	-1,120	159	771	-300	67	538
Total	**14,680**	**-5,744**	**13,467**	**22,403**	**-13,294**	**16,541**	**25,650**
School Balances							
Reserves and Balances held by Schools	5,019	-250	0	4,769	0	4,116	8,885
Total Schools Balances	**5,019**	**-250**	**0**	**4,769**	**0**	**4,116**	**8,885**
HRA:							
Major Repairs Reserve	837	-4,350	3,513	0	-3,525	3,525	0
Total HRA Earmarked Balances	**837**	**-4,350**	**3,513**	**0**	**-3,525**	**3,525**	**0**

10. Other Operating Income and Expenditure

Other Operating Income and Expenditure comprises all other costs that do not form part of the costs of any one service. A breakdown of the amounts included within this line is as follows:

	2010-11 £000	2009-10 £000
Loss on Disposal of Non Current Assets	16,353	3,444
Parish Precepts	2,454	2,295
Levies	193	219
Costs relating to Predecessor Councils	0	125
Contribution of Housing Capital Receipts to National Pool	244	179
Other Income & Expenditure	154	-1,478
Total	**19,398**	**4,784**

11. Financing and Investment Income and Expenditure

	2010-11 £000	2009-10 £000
Interest payable and similar charges	8,929	8,716
Pensions interest and expected return on assets	16,667	23,137
Interest receivable and similar income	-1,028	-1,355
Income and expenditure in relation to investment properties and changes in their fair value	-6,858	-19,437
Trading accounts not related to Services	339	-224
Other investment income	0	0
Total	**18,049**	**10,837**

12. Taxation and Non-specific Grant Income

The Council received the following government grants, which are not related to specific services:

General Government Grant	2010-11 £000	2009-10 £000
Council Tax - call on Collection Fund	-154,219	-150,100
Revenue Support Grant	-11,853	-17,177
National Non-Distributed Rates	-81,629	-74,419
Local Authority Business Growth Incentive Scheme	0	-316
Capital Grants and Contributions	-30,731	-28,955
Area Based Grants	-21,796	-15,109
PFI Grants	-3,032	-3,040
Total	**-303,260**	**-289,116**

Note 12b – Other Comprehensive Income and Expenditure

The Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement recognises increases and decreases to the value of assets and liabilities which have yet to be realised by the Council. As these gains and losses were unrealised at 31 March 2011 they are not reflected against the Councils usable reserves at this point and are held separately in unusable reserves as described in Note 25. These movements contained:

	2010-11 £000	2009-10 £000
Property Revaluation Gains	-28,869	-21,735
Available for Sale Assets	-21	153
Pension Deficit - Actuarial Gains Losses	-281,790	290,189
Pension Deficit - Entity Combinations	1,814	0
Total	**-308,866**	**268,607**

- Property revaluation gains reflect estimated increases in the value of Council owned assets. These will only be realised by the Council on sale or disposal or over time through usage. The balances created are held on the revaluation reserve until this time

- Available for Sale gains and losses reflect changes to the market values of investments and similar financial assets held by the Council. These changes are only recognised as the assets are cashed in or traded, until this point the unrealised gain is held on the Available for Sale Reserves. In 2010-11, £21k of previously unrecognised loss was charged to the Financing and Investment Income line in the Income and Expenditure Statement realising this loss, as a consequence the balance held on the Available for Sale Reserve has been written out.

- Pensions Deficit adjustments reflect revised estimates as to the value of future pension liabilities or assets made by actuaries. The large surplus in 2010-11 is due to the requirement to link future pension payments to the Consumer Price Index rather than the Retail Price Index. This gain is held on the Pension Reserve until it is realised through reduced payments to the Pension Fund in future years. Further details are contained in Note 46.

- In 2010-11 there is an additional pension adjustment to reflect the fact the Council has inherited an additional pension liability on the cessation of trading by CADSART, former providers of leisure services across Chester and Ellesmere Port. The shortfall on the Pension Fund for this organisation was £1.8m on transfer so this has been reflected as a loss in the Comprehensive Income and Expenditure Statement.

13. Property, Plant and Equipment

Movements in 2010-11	NON- CURRENT ASSETS						
	Council Houses £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Community Assets £000	Assets Under Con-struction £000	Total
Certified Valuation at 31st March 2010	195,070	560,666	55,414	245,572	10,380	27,500	1,094,602
Additions	3,994	15,300	15,226	16,677	3,389	3,652	58,238
Disposals	-204	-19,438	-516	0	0	0	-20,158
Impairment losses/reversals to RR *	0	0	0	0	0	0	0
Impairment losses/reversals to SDPS *	0	-32,494	0	0	0	0	-32,494
Re-classification of assets	0	22,145	76	222	-376	-22,067	0
Transfer of revaluations thru' RR	0	0	0	0	0	0	0
Revaluation Changes to RR *	-1,937	25,571	159	0	0	0	23,793
Revaluation Changes to SDPS *	-62,219	-54,638	0	0	0	0	-116,857
Reclassified to/from Held for Sale	0	-2,300	0	0	0	0	-2,300
Reclassified to/from Investment Properties	0	1,543	0	0	0	0	1,543
Other Movements	0	0	0	0	0	0	0
Value as at 31st March 2011	**134,704**	**516,355**	**70,359**	**262,471**	**13,393**	**9,085**	**1,006,367**
Depreciation							
At 31st March 2010	-3,513	-27,031	-29,101	-68,173	-117	1	-127,934
Charges for the year	-3,231	-8,142	-6,941	-7,818	-59	0	-26,191
Removal of depreciation	0	0	0	0	0	0	0
Impairment losses/reversals to RR *	0	0	0	0	0	0	0
Impairment losses/reversals to SDPS *	0	4,438	0	0	0	0	4,438
Disposals	0	1,214	491	0	0	0	1,705
Revaluations to RR	0	5,075	0	0	0	0	5,075
Revaluations to SDPS	6,744	9,120	0	0	0	0	15,864
Accumulated Depn at 31st March 2011	0	-15,326	-35,551	-75,991	-176	1	-127,043
Net Book Value at 31st March 2011	**134,704**	**501,029**	**34,808**	**186,480**	**13,217**	**9,086**	**879,324**
Net Book Value at 31st March 2010	191,557	533,635	26,313	177,399	10,263	27,501	966,668
Nature of Asset Holding							
Owned	134,704	470,498	33,220	186,480	13,217	9,086	847,205
PFI		30,531					30,531
Leased	-	-	1,588	-	-	-	1,588

Within the table above and on the following page references to RR refer to the Revaluation Reserve and SDPS refers to the Surplus or Deficit on Provision of Service line in the Comprehensive Income and Expenditure Statement.

Comparative Movements in 2009-10	NON- CURRENT ASSETS						
	Council Houses £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Community Assets £000	Assets Under Con-struction £000	Total
Certified Valuation at 31st March 2009	187,544	514,712	43,030	230,883	6,924	11,941	995,034
Additions	5,665	24,810	12,533	14,689	3,456	25,343	86,496
Disposals	-112	-14,512	-310	0	0	0	-14,934
Impairment losses/reversals to RR *	0	0	0	0	0	0	0
Impairment losses/reversals to SDPS *	0	-6,858	0	0	0	0	-6,858
Re-classification of assets	0	9,622	161	0	0	-9,784	-1
Transfer of revaluations thru' RR	1,973	0	0	0	0	0	1,973
Revaluation Changes to RR *	0	17,212	0	0	0	0	17,212
Revaluation Changes to SDPS *	0	-8,687	0	0	0	0	-8,687
Reclassified to/from Held for Sale	0	0	0	0	0	0	0
Reclassified to/from Investment Properties	0	0	0	0	0	0	0
Other Movements	0	24,367	0	0	0	0	24,367
Value as at 31st March 2010	**195,070**	**560,666**	**55,414**	**245,572**	**10,380**	**27,500**	**1,094,602**
Depreciation							
At 31st March 2009	0	-25,459	-24,264	-60,855	-113	0	-110,691
Charges for the year	-3,513	-6,792	-5,038	-7,318	-4	0	-22,665
write back 2009-10 transfer depreciation	0	-48	0	0	0	0	-48
Impairment losses/reversals to RR *	0	88	0	0	0	0	88
Impairment losses/reversals to SDPS *	0	1,426	0	0	0	1	1,427
Disposals	0	1,114	201	0	0	0	1,315
Revaluations	0	2,640	0	0	0	0	2,640
Accumulated Depn at 31st March 2010	-3,513	-27,031	-29,101	-68,173	-117	1	-127,934
Net Book Value at 31st March 2010	**191,557**	**533,635**	**26,313**	**177,399**	**10,263**	**27,501**	**966,668**
Net Book Value at 31st March 2009	187,544	489,253	18,766	170,028	6,811	11,941	884,343
Nature of Asset Holding							
Owned	191,557	502,129	23,982	177,399	10,263	27,501	932,831
PFI		31,506					31,506
Leased	-	-	2,331	-	-	-	2,331
Total	**191,557**	**533,635**	**26,313**	**177,399**	**10,263**	**27,501**	**966,668**

The Net Book value balances above include £3.8m of assets which are held in partnership with Cheshire East Borough Council. The Council will ultimately need to buy out the Cheshire East impact in these assets so an offsetting long term liability is included in the balance sheet. Settlement on a further £8.7m of assets was reached during 2010-11 (see note 30).

Depreciation

The following useful lives and depreciation rates have been used for depreciating capital assets depending on the estimated life of the assets.

Asset Classification	Useful Lives	Depreciation rate
		%
Operational Buildings	25-200 years	4%-0.5%
Infrastructure	25-50 years	4%-2%
Vehicles	3-25 years	33%-4%
Plant & Equipment	3-15 years	33%-7%

Significant Commitments under Capital Contracts

The value of significant commitments under capital contracts, where amounts of greater than £0.5m are contracted to be paid after 31 March 2011, totals £10.8m. These contracts are all fully funded and are summarised as follows:

Capital Project	Contract Total £000	Amount Paid Up To 31 March 11 £000	Balance £000
Highways Term Maintenance	11,562	7,949	3,614
Mickle Trafford Classroom Extensions	1,186	126	1,060
Acorns Primary School Single site	3,056	107	2,949
Northgate Arena Extra Care Housing	4,324	1,084	3,240
Total	**20,129**	**9,266**	**10,863**

The Council's Property Services section value the freehold and leasehold properties which make up the Council's portfolio. They are valued in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors (The Red Book). Valuations are undertaken to reflect asset values as at 31st March 2011.

Operational properties of a specialised nature are valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent. This is adjusted to reflect the age, wear and tear and obsolescence of the existing asset.

Council Houses are valued using Existing Use Value for Social Housing which is the value the properties would be exchanged at on the presumption that they must continue to be used for social housing purposes. The valuations are reduced to reflect the fact these houses are occupied by secure tenants. During 2010-11 the North West discount factor has been increased (the values now reflect 35% as opposed to 48% of the vacant occupation value) which has resulted in a significant fall in the value of Council Housing included in the Council's accounts.

Non-specialised operational properties are valued by reference to the open market value of equivalent assets of a similar type and condition. This is evidenced by recent market transactions and done on the assumption that they would continue in their existing use. Non-operational properties are valued by reference to their open market value for an alternative use allowed by planning permissions.

Where assets are included in the Balance Sheet at current value, they are required to be re-valued at intervals no longer than five years. The Council has done this on the basis of a rolling programme.

Effects of Changes in Estimates

During 2010-11 new valuations have been undertaken on the majority of the Council's schools. As part of this revaluation process the Council has brought all valuations in line with a Modern Equivalent Asset methodology for assessing their value. This approach values the schools based on the cost of replacing the existing building with one which is designed for the number of pupils the School currently accommodates, rather than directly replacing the facilities of the school as is.

Where there is spare capacity at the school or over occupancy this will be reflected by a lower or higher valuation for a replacement asset. Adopting this revised practice across all schools has generated some significant changes in the values attributed to these properties, both increases and decreases. It is estimated that the change in the valuations purely as a result of the change in methodology is a reduction of approximately £15m.

Revaluations

The Council revalues its operational properties over a five year cycle to ensure that values do not become out of date. Where values may change outside of these planned dates (e.g. due to work undertaken, change in usage or economic conditions) then valuations are brought forward.

Council Dwellings are revalued every year based upon a beacon value methodology, in 2010-11 the values have dropped significantly due to an increase in the discount made to reflect the properties social housing secured tenancy status. Vehicles, Community Assets, Infrastructure Assets and Assets under Construction are all held in the Accounts at historic cost.

The following statement shows the value of properties that were re-valued in 2010-11.

	Council Dwellings £000	Operational Other Land and Buildings £000	Historic Cost Assets £000	Total PPE Assets £000
Valued at Historic Cost			243,591	243,591
Valued at Current Value in:				
- 2010-11	134,704	237,346		372,050
- 2009-10		112,714		112,714
- 2008-09		19,964		19,964
- 2007-08		23,293		23,293
- 2006-07		107,712		107,712
Total	**134,704**	**501,029**	**243,591**	**879,324**

In addition to the assets reported in the table, the Council also indirectly provides services through Voluntary Aided schools, Foundation schools and Academies. As these schools are not directly owned by the Council and are governed separately they are not included in the asset values reported.

- Voluntary Aided schools are those where most of the capital investment in the school has been provided by the diocesan body or similar organisation. Should the property at the school be sold then the proceeds of sale would also be due to the diocesan body and not

to Cheshire West & Chester Council. As at 31 March 2011 there were 31 Church Aided schools in use with a value in excess of £50m.

- Foundation schools are those where ownership of the school has been transferred from the Council to the School's Board of Governors/Trustees. As at 31 March 2011 there were 6 such schools with a value of approximately £40m. This value increased in 2010-11 as Upton by Chester High School attained Foundation Status in January 2011.
- Academy Schools are run independently of the Council but still provide education services in Cheshire West. The schools are located on land owned by the Council but have been given long leases over that land to give them security of tenure. The school buildings themselves are owned by the Academy. There are two academies in Cheshire West replacing four former schools, these schools are excluded from the Council's assets, but were last valued at approximately £25m.

14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2010-11 £000	2009-10 £000
Rental Income from Investment Property	-8,328	-7,217
Direct operating expenses arising from investment property	1,569	1,732
Total	**-6,759**	**-5,485**

The movements in the value of investment properties during 2010-11 is analysed below.

	2010-11 £000	2009-10 £000
Balance at start of the year	121,271	110,477
Additions	0	0
Construction	0	0
Subsequent Expenditure	196	17
Disposals	-115	-1,298
Net Gain or (Loss) from Fair Value adjustments	277	11,509
Transfers to Assets Held for Sale	0	0
Transfers to Property, Plant and Equipment	-1,544	0
Other Changes	0	566
Total	**120,085**	**121,271**

15. Intangible Assets

The Authority accounts for expenditure on software which will benefit the Council for a period of more than 12 months as intangible assets, to the extent that the software is not an integral part of a particular IT system which is recorded as hardware in Property, Plant and Equipment. The intangible assets primarily comprise purchased software licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

	Other Assets £000s
3 Years	1,248
5 Years	923

The carrying amount of intangible assets is amortised on a straight-line basis, the charge for 2010-11 has been shown across BVACOP headings in the Net Cost of Services.

	Other Assets 2010-11 £000	**Other Assets 2009-10 £000**
Balance at start of year:		
Gross carrying amount	2,171	2171
Accumulated amortisation	1,855	1527
Net carrying amount at start of year	**316**	**644**
Additions:		
Purchases	27	0
Amortisation for the Period	170	328
Net carrying value at end of year	**173**	**316**
Comprising:		
Gross Carrying Amount	2,198	2171
Accumulated Amortisation	2,025	1855
	173	316

16. Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Investments				
Loans and receivables	492	1,045	828	2,495
Available-for-sale financial assets	4	4	0	9,520
Unqouted equity investment at cost	0	0	0	0
Financial assets at fair value through profit and loss	0	0	0	0
Total Investments	**496**	**1,049**	**828**	**12,015**
Debtors				
Loans and receivables	3,025	7,686	109,551	144,326
Financial assets carried at contract amounts	0	0	0	0
Total Debtors	**3,025**	**7,686**	**109,551**	**144,326**
Borrowings				
Financial liabilities at amortised cost	-141,859	-142,309	-2,794	-16,214
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Borrowings	**-141,859**	**-142,309**	**-2,794**	**-16,214**
Other Long Term Liabilities				
PFI and finance lease liabilities	-33,643	-34,975		
Total Other Long Term Liabilities	**-33,643**	**-34,975**		
Creditors				
Financial liabilities at amortised cost	-1,891	-14,000	-80,700	-95,778
Financial assets carried at contract amounts	0	0	0	0
Total Creditors	**-1,891**	**-14,000**	**-80,700**	**-95,778**

Income, Expense, Gains and Losses

	2010-11				
	Financial Liabilities measured at amortised cost £000	**Financial Assets: Loans and receivables £000**	**Financial Assets: Available for sale £000**	**Assets and Liabilities at Fair Value £000**	**Total £000**
Interest expense	8,840				8,840
Losses on derecognition					0
Reductions in fair value					0
Impairment losses					0
Fee expense					0
Total expense in SDPS	**8,840**	**0**	**0**	**0**	**8,840**
Interest income	-928				-928
Interest on impaired financial assets					0
Increases in fair value					0
Gains on derecognition			-100		-100
Fee income					0
Total income in SDPS	**-928**	**0**	**-100**	**0**	**-1,028**
Gains on revaluation					0
Losses on revaluation					0
Amounts recycled to the SDPS after impairment					0
Deficit arising on revaluation of financial assets on Other Comprehensive Income and Expenditure			**-21**		-21
Net gain/(loss) for the year	**0**	**0**	**-21**	**0**	**-21**

			2009/10 Comparative		
Interest expense	8,716				8,716
Losses on derecognition					0
Reductions in fair value					0
Impairment losses					0
Fee expense					0
Total expense in SDPS	**8,716**	**0**	**0**	**0**	**8,716**
Interest income	- 1,257		-98		-1,355
Interest income accrued on impaired financial assets					0
Increases in fair value					0
Gains on derecognition					0
Fee income					0
Total income in SDPS	**-1,257**	**0**	**-98**	**0**	**-1,355**
Gains on revaluation			-4		-4
Losses on revaluation			58		58
Amounts recycled to the SDPS after impairment					0
Surplus arising on revaluation of financial assets			**98**		98
Net gain/(loss) for the year	**0**	**0**	**152**	**0**	**152**

References to SDPS above refer to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement.

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans & receivables are carried in the Balance Sheet at their amortised cost. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- Estimated interest rates at 31st March 2011 of 1.89% and 5.24% for loans from PWLB based on the 'new borrowing' rate and 0.78% and 4.97% for loans from the PWLB based on the 'premature borrowing rate' in force on that day.
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

Financial Assets held at Fair Value

Certain assets are recognised at Fair Value in the balance sheet. This is necessary where the assets are held in a form which is readily tradable by the Council and the Market Value is different from the nominal value. The assets held at Fair/ Market Value by the Council at 31st March 2011 are set out below.

Available for Sale Assets held at Fair Value	Long Term 31 March 2011 £000	Current 31 March 2011 £000
European Investment Bank Bonds	-	-
War Loan Stock	4	-
Certificates of Deposits with banks/building societies	-	-
Total	**4**	**0**

Available for Sale Assets held at Fair Value	Long Term 31 March 2010 £000	Current 31 March 2010 £000
European Investment Bank Bonds	-	550
War Loan Stock	4	-
Certificates of Deposits with banks/building societies	-	8,970
Total	**4**	**9,520**

Fair Value of Assets held at Amortised Cost

	Carrying Value 31 March 2011 £000	Fair Value 31 March 2011 £000
Loans and Receivables	110,319	110,319
Long Term Debtors	3,576	3,576
Total	**113,895**	**113,895**

	Carrying Value 31 March 2010 £000	Fair Value 31 March 2010 £000
Loans and Receivables	146,821	146,821
Long Term Debtors	8,731	8,731
Total	**155,552**	**155,552**

Fair Value of Liabilities held at Amortised Costs

There are two options available to calculate the fair value of long term loans:

- Using the new borrowing rate. The fair value here represents the amount of loans that could be raised on the balance sheet date that would give rise to the same profile of interest payments and principal repayments as those the Council is committed to under its existing loan agreements.

- Using the early repayment rate. This amount represents the amount that would need to be paid to the Council's existing lenders on 31 March 2011 to repay in full all of the outstanding long term loans existing at that date.

The carrying values and fair values for financial liabilities under each methodology are shown below. Liabilities such as operational creditors are omitted from the analysis as the carrying amount is considered a reasonable approximation of fair value.

Financial Liabilities with their Fair Value calculated using the new borrowing rate (including short term interest payable):

	Carrying Value 31 March 2011 £000	Fair Value 31 March 2011 £000
Financial Liabilities	-178,296	-166,125
Long Term Creditors	-1,891	-1,891

	Carrying Value 31 March 2010 £000	Fair Value 31 March 2010 £000
Financial Liabilities	-193,498	-188,330
Long Term Creditors	-14,000	-14,000

The new loans rate fair value of long term borrowings was below the carrying value as at 31 March 2011. This is a result of the Council having a number of loans within its portfolio where the rate of interest payable is lower than the interest rates prevailing at 31 March 2011 and where this rate of interest is fixed for the whole of the loan period which is generally long term.

One consequence of having a large number of fixed rate loans for relatively long periods is that the Council does not tend to benefit from any falls in PWLB interest rates. The converse is also true however, i.e. in periods when interest rates rise the council is cushioned from the impact of such increases. Having a large number of long term loans at fixed rates of interest does provide the Council with a fair degree of certainty in the cost of interest payable. Needless to say this helps in budget planning.

Financial Liabilities with their Fair Value calculated using the early repayment interest rate (including short term interest payable);

	Carrying Value 31 March 2011 £000	Fair Value 31 March 2011 £000
Financial Liabilities	-178,296	-190,082
Long Term Creditors	-1,891	-1,891

	Carrying Value 31 March 2010 £000	Fair Value 31 March 2010 £000
Financial Liabilities	-193,498	-195,966
Long Term Creditors	-12,485	-12,485

The early repayment rate fair value of long term borrowings was above the carrying value as at 31 March 2011. This indicates that were the Council to repay all of its long term loans on its balance sheet date the amount it would need to pay to extinguish those liabilities would be in excess of the amounts the liabilities are shown at in the balance sheet.

17. Inventories

	CBS Stores Stocks		Other Stores Stocks		Catering Supplies		Museum and Gallery Services		Other Stocks		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Balance outstanding at start of year	**822**	**817**	**160**	**135**	**178**	**146**	**107**	**100**	**212**	**234**	**1,479**	**1,432**
Purchases	2,278	3,163	652	658	2,904	2,901	8	7	523	213	6,365	6,942
Recognised as an expense in the year	-2,927	-3,146	-649	-633	-2,949	-2,869	0	0	-379	-235	-6,904	-6,883
Written off balances	-173	-12	0	0	0	0	0	0	-2	0	-175	-12
Reversals of write-offs in previous years	0	0	0	0	0	0	0	0	0	0	0	0
Balance outstanding at year-end	**0**	**822**	**163**	**160**	**133**	**178**	**115**	**107**	**354**	**212**	**765**	**1,479**

The Council ceased to maintain its own in house service (CBS Stores) to manage the provision of office supplies in March 2011 and will in future purchase its supplies from external contractors. This has led to a reduction in the overall value of stock held at 31 March 2011, any residual balances after winding down the service and disposing of stock which still retained value has been written off.

18. Construction Contracts

The Authority has no construction contracts where it is undertaking work on behalf of another party at 31st March 2011.

19. Debtors

The Council's debt position as at 31 March 2011 is analysed below by the different types of debtors that this relates to. The majority of the Council's debt is short term in nature and reflects standard terms in relation to the settlement of outstanding debts. Where debts have been outstanding for a more significant period of time or the Council judges that there is a risk that collection cannot be certain, debt provisions have been set aside.

	31 March 2011 £000	**31 March 2010 £000**
Sundry Revenue & Capital Debtors	43,775	62,971
Prepayments	4,711	4,130
HM Revenue & Customs (VAT)	6,042	3,363
Housing Benefit Overpayments	3,588	3,232
Benefits Subsidy	0	3,801
Housing Revenue Account	1,845	1,685
Revenue & Capital Grant Debtors	4,069	3,914
Cheshire Pension Fund Debtor	4,655	9,192
CWAC Share of Council Taxpayers Arrears	7,408	7,439
Central Government relating to Business Rates	575	2,128
Bad Debt Provision	-10,380	-9,941
Total	**66,288**	**91,914**

The majority of the Councils Debts are with individuals (rent arrears, social care debt or Council Tax) or is trade debt with other private sector organisations. The Council also holds significant debts with other Council's (joint working) and the Government (VAT and NI payments). Where the Council holds debt provisions these have been reflected against the appropriate category below. Cheshire West has taken responsibility for the collecting £0.6m of former Cheshire County Council debt. Any income collected against these debts will be shared with Cheshire East pro rata to tax base.

	31 March 2011 £000	**31 March 2010 £000**
Central government bodies	8,329	11,741
Other local authorities	18,642	33,366
NHS bodies	1,885	963
Public corporations and trading funds	221	0
Other entities and individuals	37,211	45,844
Total	**66,288**	**91,914**

Analysis of Long Term Debtors

	31 March 2011 £000	31 March 2010 £000
Interest in Assets held by Cheshire East	0	4,618
Cheshire Lifestyle Services (CLS)	1,244	1,260
Sir John Deane's 6th Form College	152	177
Small Dwelling Acquisitions Act/Housing Act Advances	7	8
Returnable Deposits	118	118
Dodleston Parish Council	135	135
Council Mortgages	35	36
Home-Buy Loans	1,334	1,334
Total	**3,025**	**7,686**

19b. Landfill Allowances Trading Scheme (LATS)

The Waste and Emissions Trading Act 2003 placed a duty on waste disposal authorities (WDA's) in the United Kingdom to reduce the amount of biodegradable municipal waste (BMW) disposal to landfill. It provides the legal framework for the Landfill Allowances Trading Scheme, which commenced operation on 1 April 2005.

The Landfill Allowances Trading Scheme is a "cap and trade" scheme, which allocates tradable landfill allowances to each WDA in England up to the value of the WDA's "cap". Allowances are either allocated by the Department for Environment, Food and Rural Affairs (DEFRA) or purchased from another WDA and are recognised and classified as current assets. They are initially measured at their fair value.

Allowances allocated by DEFRA or purchased from another authority are classified as current assets and any penalty payment due to DEFRA in respect of landfill usage is shown as a provision within the liabilities section of the balance sheet.

The value of any surplus assets is held in an earmarked reserve.

During 2009-10 the Council's estimated BMW landfill usage was 64,908 tonnes and its allocation of allowances for the year was 77,922 tonnes. This resulted in a surplus of allowances of 13,014 tonnes, with a value of £16.57 each, giving a value of £215,642. The actual usage for 2009-10 has now been verified at 68,058 tonnes and the revised surplus of 9,864 tonnes is shown in the 2010-11 balance sheet at the 2010-11 valuation of allowances, £12.50, giving a value of £123,300.

The reduced value of the carried forward allowances (a reduction of £92,342) is reflected in the table below as:

- an increase in the prior year liability of £52,196 reflecting the increased usage of allowances in 2009-10 on verification; and

- a write down of current assets of £40,146 reflecting the fall in the unit price of the remaining surplus allowances carried forward

In 2010-11 the Council received further allowances for 69,248 tonnes, against which it has estimated its landfill usage for 2010-11 at 62,476 tonnes. The surplus allowances have been carried forward at the 2011-12 valuation of £12.50 per tonne.

The Council has not bought or sold any allowances during the year.

The following amounts are included in the Statement of Accounts:

	At 31st March 2011 £000	At 31st March 2010 £000
Current Assets		
Allowances brought forward from 2009-10	1,291	0
Derecognition of Verified Prior Year Allowances	-1,128	0
Writing Down of Allowances to Reflect Market Value	-40	0
New Allowances Allocated by DEFRA	865	1,291
Total Assets	**988**	**1,291**
Provisions		
Liabilities for Usage brought forward from 2009-10	-1,076	0
Increase in Prior Year Liability Post Verification	-52	0
Prior Year Liability Discharged	1,128	0
Liability to DEFRA for new allowances used	-781	-1,076
Total Liability	**-781**	**-1,076**
Total Net Assets	**207**	**215**
LATS Reserve		
Opening Balance	215	0
Transfers to/from Reserve	-8	215
Closing Balance	**207**	**215**

20. Cash and Cash Equivalents

The Council holds cash balances in a number of accounts relating to payroll, payment and income transactions as well as a Council Fund account to ensure there are sufficient funds available to meet all commitments.

Where payments are in the process of being made on 31st March the current account balance reflects the fact that payment is leaving the account although in practice the payment will only be recognised by the bank on 1st April. The net credit shown against current accounts below reflects the fact that £13m of payments were in process on 31st March, funding was transferred in from deposits on the 1st April to cover this cost.

	At 31st March 2011 £000	At 31st March 2010 £000
Bank Current Accounts	-9,832	33,335
Short Term Deposits	65,038	33,226
Total	**55,206**	**66,561**

21. Assets Held for Sale

The adoption of International Financial Reporting Standards in 2010-11 introduced a new classification of asset to record any Non Current Assets which the Council was holding for sale at the balance sheet date.

Where the Council expects to sell assets within 12 months of the balance sheet date and is actively marketing their sale they are now shown under Assets Held for Sale and shown as current assets.

As the true value of these assets to the Council will now be their disposal value they are held at Market Value less any costs of disposal rather than a value based on their continuing use by the Council. Due to prevailing market conditions none of the assets identified as being held for sale at the start of 2010-11 have been disposed of in year.

	2010-11 £000	2009-10 £000
Balance at start of the year	704	2,209
Assets newly classified as Held for Sale:		
Property, Pant and Equipment	2,300	0
Revaluation losses	0	0
Revaluation Gains	0	0
Impairment losses	-231	-939
Assets declassified as Held for Sale:		
Property, Pant and Equipment	0	-566
Assets sold	0	0
Balance at end of the year	**2,773**	**704**

22. Creditors

	31 March 2011 £000	31 March 2010 £000
Creditors		
Sundry Revenue Creditors/Payments to Suppliers	66,822	55,697
HM Revenue & Customs	6,170	6,246
Pension Fund & Other Payroll Related	4,891	3,022
Capital Creditors	1,467	6,791
Interest Payable on Long Term Borrowing	2,794	2,294
Other	1,752	2,901
Cheshire East Share of Former CCC Cash	0	22,755
	83,895	**99,706**
Receipts in Advance		
Council Tax Advance Payments	3,076	3,157
Revenue Grants	7,582	8,128
Other	3,582	1,950
	14,240	**13,235**
Total	**98,135**	**112,941**

	31 March 2011 £000	31 March 2010 £000
Central government bodies	13,733	24,859
Other local authorities	10,017	29,024
NHS bodies	277	10
Public corporations and trading funds	82	239
Other entities and individuals	74,026	58,809
Total	**98,135**	**112,941**

23. Provisions

Provisions expected to be discharged within 12 months	Insurance Funds £000	STACCA £000	Landfill Allowance £000	Other Provisions £000	Total £000
Balance 1 April 2010	**0**	**7,861**	**1,076**	**0**	**8,937**
Additional provisions made	0	8,401	781	269	9,451
Amounts used in year	0	-7,861	-1,128	0	-8,989
Unused amounts reversed	0	0	52	0	52
Unwinding of discounting	0	0	0	0	-
Balance at 31 March 2011	**0**	**8,401**	**781**	**269**	**9,451**
Provisions expected to be discharged beyond 12 months					
Balance 1 April 2010	**1,476**	**0**	**0**	**140**	**1,616**
Additional provisions made	2,093	0	0	3	2,096
Amounts used in year	-445	0	0	-	-445
Unused amounts reversed	0	0	0	-10	-10
Unwinding of discounting	0	0	0	-	-
Balance at 31 March 2011	**3,124**	**0**	**0**	**133**	**3,257**
Total Provision	**3,124**	**8,401**	**781**	**402**	**12,708**

Insurance Provision

Cheshire West & Chester Council has large excess levels on its external insurance policies and is therefore required to meet the cost below the excess arising from claims in respect of fire and consequential loss, public and employers' liability, and vehicles. An Insurance Fund has been established to meet these potential costs, with annual contributions being charged to the revenue account.

In accordance with accounting practice, the Fund has been analysed into a provision (amounts required for reported claims) and a reserve (estimates for future claims not yet reported). The amounts set aside are based on estimates from the actuary and an independent actuarial review is be carried out every three years to review the level of the amounts set aside in both the provision and reserve. The Council maintains separate Funds for liabilities incurred since its inception on 1 April 2009 and those incurred by its predecessors.

Cheshire West and Chester 2010-11 Insurance Balances

The figures below relate to the balances created to fund claims arising out of the Council's activities up to the balance sheet date. The provision covers the estimated settlement costs of claims received up to 31 March 2011 and the reserve represents the sum held to cover potential further claims coming to light in future years.

The provision of £2.6m includes claims that will be successfully defended, the cost of which can then be moved from the provision back to the reserve. The balances are monitored to ensure they are sufficient.

Insurance Funds for new activities	Provision 2010-11 £000	Reserve 2010-11 £000	Provision 2009-10 £000	Reserve 2009-10 £000
Opening Balance	**1,473**	**489**	**-**	**-**
Less claims paid during the year:				
Property	-47	-	-41	-
Public Liability	-34	-	-23	-
Employer's Liability	-	-	-2	-
Money	-2	-	-	-
Motor	-120	-	-144	-
Additional Contribution from Revenue	1,394	-	2,172	-
Transfer from/(to) Insurance Reserve	-22	22	-489	489
Balance Carried Forward	**2,642**	**511**	**1,473**	**489**

Cheshire West and Chester – Pre LGR Insurance Balances

The Council holds provisions and reserves to cover the costs of any claims arising from the former Chester City, Ellesmere Port & Neston and Vale Royal Borough Councils. It has been necessary to increase these balances in year to ensure they are sufficient to fund potential claims.

The provision figures below relate to the estimated settlement costs of claims for the former district authorities received at the balance sheet date. The reserve represents the sum held to cover potential further claims in respect of the former district authorities relating to the policy years up to and including 08-09 coming to light in future years.

Former District Councils' Insurance Balances	Provision 2010-11 £000	Reserve 2010-11 £000	Provision 2009-10 £000	Reserve 2009-10 £000
Opening Balance	**3**	**1,051**	**-**	**347**
Less claims paid during the year:				
Property	-	-	-16	-
Public Liability	-82	-	-30	-
Employer's Liability	-160	-	-110	-
Motor	-	-	3	-
Additional Contribution from Revenue	157	-	860	-
Transfer from/(to) Insurance Reserve	564	-564	-704	704
Balance Carried Forward	**482**	**487**	**3**	**1,051**

The liabilities relating to the former County Council's activities are being managed by Cheshire East Council who will run off claims on behalf of both new Councils. These balances are not shown in Cheshire West and Chester's Accounts as at 31 March 2011 but summary details of the balances on that fund are shown below. At the time that any surpluses or deficits on these balances they will be shared by both Councils.

Former Cheshire County Council Insurance Fund	Provision 2010-11 £000	Reserve 2010-11 £000	Provision 2009-10 £000	Reserve 2009-10 £000
Opening Balance (held by Cheshire East)	4,868	1,231	7,565	803
Less claims paid during the year:				
Property	-	-	-117	-
Public Liability	-870	-	-1,369	-
Employer's Liability	-391	-	-610	-
Motor	-30	-	-70	-
Interest accrued on the Fund	23	-	10	-
Interest paid to CWAC & CEC	-23	-	-10	-
Transfer from Risk management Reserve re SBSA	-	-	-	-51
Transfer from Insurance Reserve re DSG	-	-	-	-52
Transfer (from)/to Insurance Reserve/Provision	-871	871	-531	531
Appropriation to CIES	-	-119	-	-
Balance of Provision & Reserve carried forward	**2,706**	**1,983**	**4,868**	**1,231**

Cheshire West and Chester's share of the interest earned on the provision was £10,456.

Schools' Insurance Balances

The reserve below represents the sums held to cover differences in amounts recovered from schools via the School Business Agreement (SBSA) mechanism in respect of insurance. There will always be variances due to the timing differences between the insurance policy year and the academic year.

SBSA Insurance Reserve Balance	2010-11 £000	2009-10 £000
Opening Balance	**14**	**49**
Transfer from/(to) Revenue	-	-35
Balance of Reserve carried forward	**14**	**14**

Short Term Accumulated Compensated Absences Provision (STACCA)

This provision is charged with the estimated cost of employees' untaken annual and flexi leave at the balance sheet date. The charge that is made to the Comprehensive Income and Expenditure Statement is not a charge against the General Fund balance and is reversed out in the Movement in Reserves Statement and transferred to the Accumulated Absences Account, details of which are provided in note 25.

Landfill Allowances Trading Scheme Provision

The Landfill Allowances Trading Scheme Provision is charged with the penalty payment due to the Department for Environment, Food and Rural Affairs (DEFRA). Further details relating to the Landfill Allowances Trading Scheme are provided in note 19b.

Other Provisions

The Other Provisions balance is made up of the following amounts:

	31 March 2010 £000	Net Movement in Year £000	31 March 2011 £000	Purpose of Reserve
Home Office Asset Recovery Scheme	7	3	10	Funding from the Home Office under the Asset Recovery Scheme. Proceeds of crime are redistributed to front line agencies for fraud prevention.
Strategic Commissioning	10	-10	-	To meet known liabilities for individuals discharged from hospital under Section 117 of the Mental Health Act.
Community Safety	15	-	15	A contingency against future exit costs resulting from TUPE.
Highway Schemes	108	-	108	To meet potential costs in relation to noise, disturbance and claims in respect of major highways schemes.
Redundancy	-	269	269	To meet the costs of redundancies which were agreed prior to 31 March 2011.
Total	**140**	**262**	**402**	

24. Usable Reserves

Movements in the Authority's usable reserves as detailed in the Movement in Reserves Statement are show below. This highlights an improving position with regard to the level of reserves that are available to fund future Council expenditure. A further breakdown of the Earmarked Reserves balance is shown in Note 9.

	31 March 2011 £000	31 March 2010 £000
Held for Revenue Purposes		
General Fund	24,595	19,465
School Reserves	8,885	4,769
Earmarked General Fund Reserves	25,650	22,221
Housing Revenue Account	685	1,318
	59,815	**47,773**
Held for Capital Purposes		
Capital Receipts Reserve	15,437	19,072
Earmarked General Fund Reserves	20,560	12,390
Earmarked Housing Revenue Reserves	0	0
	35,997	**31,462**
Total	**95,812**	**79,235**

25. Unusable Reserves

Unusable reserves are restricted and cannot be used to finance the Councils operational activities.

	31 March 2011 £000	31 March 2010 £000
Revaluation Reserve	60,155	32,784
Available for Sale Financial Instruments reserve	0	-21
Capital Adjustment Account	684,504	820,577
Financial Instruments Adjustments Account	-1,100	-1,282
Deferred Capital receipts Reserve	52	71
Pensions reserve	-219,375	-598,013
Collection Fund Adjustment Account	-460	-1,411
Accumulated Absences Account	-8,401	-7,861
Total	**515,375**	**244,844**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

Where the impairment value is greater than the revalued amount then the excess impairment is charged to the Comprehensive Income and Expenditure Statement.

	2010-11 £000	2009-10 £000
Balance at 1 April	**32,784**	**11,110**
Upwards revaluation of assets	31,011	21,762
Downward revaluation of assets and impairment losses	-2,141	-25
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**28,870**	**21,737**
Difference between fair value depreciation and historical cost depreciation	-536	-60
Accumulated gains on assets sold or scrapped	-963	-3
Amount written off to the Capital Adjustment Account	**-1,499**	**-63**
Balance at 31 March	**60,155**	**32,784**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its available for sale assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost, or
- disposed of and the gains are realised.

These gains or losses will be credited or charged to the Comprehensive Income and Expenditure Statement at the date of sale.

		2010-11 £000	2009-10 £000
Balance at 1 April		**-21**	**132**
Upwards revaluation of investments	0		4
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0		0
		0	
Accumulated losses on assets sold and maturing assets written out to the CIES as part of Other Investment Income		21	-157
Balance at 31 March		**0**	**-21**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets.

The Account is:

- debited with the cost of depreciation, impairment losses and amortisation;
- credited with funds from the Revaluation Reserve to convert fair value figures to a historical cost basis;
- credited with the amounts set aside by the Authority as capital financing;
- contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Authority.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The movement on the reserve during 2010-11 is as follows:

		2010-11 £000	2009-10 £000
Balance at 1 April		**820,577**	**806,248**
• Charges for depreciation and impairment of assets	-53,609		
• Revaluation losses on Property, Plant and Equipment	-100,993		
• Amortisation of intangible assets	-169		
• Revenue expenditure funded from capital under statute	-9,443		
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-18,544		
		-182,758	-57,419
Adjustments written out of the Revaluation Reserve		1,499	63
Net cost of non-current assets consumed in the year		-181,259	-57,356
Capital financing applied in the year:			
• Use of Capital Receipts to finance new capital expenditure	5,576		
• Use of Major Repairs Reserve to finance new capital expenditure	3,525		
• Capital grants and contributions credited to the CIES that have been applied to capital financing	20,947		
• Application of grants to capital financing from the Capital Grants Unapplied Account	1,431		
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	8,810		
• Capital expenditure charged against the General Fund and HRA	4,852		
		45,141	58,462
Movements in the market value of Investment Properties and Assets Held for Sale debited or credited to the CIES		45	13,223
Movement in the Donated Assets Account credited to the CIES		0	0
Balance at 31 March		**684,504**	**820,577**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

This reserve is used to manage two specific items:

- Unamortised Premiums and Discounts – these arise from the early repayment of long term loans that were held on the balance sheet at 31 March 2007 and which could not be attached to existing (replacement) long term loans. The amounts are charged / credited to General Fund through the Movement in Reserves Statement over periods of between 1 and 4 years, and
- Lender Option Borrower Option (LOBO) loans – these balances reflect the difference between recording LOBO loans using the effective interest rate as opposed to their normal value, i.e. the principal amount outstanding. The amounts will be credited to General Fund through the Movement in Reserves Statement over the remaining lives of the loans.

The movement on the reserve during 2010-11 is as follows:

		2010-11 £000	2009-10 £000
Balance at 1 April		**-1,282**	**-1,540**
Premiums incurred in previous financial years and charged to the CIES in accordance with statutory regulations	200		
LOBO loan interest credited to CIES accordance with statutory regulations	-18		
Amount by which the finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements		182	258
Balance at 31 March		**-1,100**	**-1,282**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. The movement on the reserve during 2010-11 is as follows:

	2010-11 £000	2009-10 £000
Balance at 1 April	**71**	109
Opening balance adjustment	**-**	-3
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	-19	-35
Balance at 31 March	**52**	**71**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The Pensions Reserve for 2009-10 has been restated to take into account a revised actuarial disaggregation of the pension liability relating to the former County Council. Further details of this, together with a more detailed note relating to the pension schemes, is shown in note 46.

The movement on the reserve during 2010-11 is as follows:

	2010-11 £000	2009-10 Restated £000
Balance at 1 April	**-598,013**	-295,595
Actuarial gains or losses on pension assets and liabilities	281,790	-290,191
Net liabilities assumed in business combination	-1,814	
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	63,406	-48,535
Employer's pension contributions and direct payments to pensioners payable in the year	35,256	36,308
Balance at 31 March	**-219,375**	**-598,013**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The movement on the reserve during 2010-11 is as follows:

	2010-11 £000	2009-10 £000
Balance at 1 April	**-1,411**	**-1,415**
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	951	4
Balance at 31 March	**-460**	**-1,411**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. The movement on the reserve during 2010-11 is as follows:

		2010-11 £000	2009-10 £000
Balance at 1 April		**-7,861**	**-9,811**
Settlement or cancellation of accrual made at the end of the preceding year	7,861		9,811
Amounts accrued at the end of the current year	-8,401		-7,861
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statute		-540	1,950
Balance at 31 March		**-8,401**	**-7,861**

26. Cash Flow Statement – Operating Activities

	2010-11 £000	2009-10 £000
Interest received	-1,001	-995
Interest paid	8,623	8,340
Dividends received	0	0

27. Cash Flow Statement – Investing Activities

	2010-11 £000	2009-10 £000
Purchase of property, plant and equipment, investment property and intangible assets	64,300	79,087
Purchase of short-term and long-term investments	0	0
Other payments for investing activities	0	82
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-2,179	-7,083
Proceeds from short-term and long-term investments	-11,740	-25,627
Other receipts from investing activities	-35,207	-37,810
Net cash flows from investing activities	15,174	8,649

28. Cash Flow Statement – Financing Activities

	2010-11 £000	2009-10 £000
Cash receipts of short- and long-term borrowing	0	-13,920
Other receipts from financing activities	-1,556	-362
Cash payments for the reduction of the outstanding liabilities relating to financve leases and on-balance sheet PFI contracts	1,332	1,456
Repayments of short- and long-term borrowing	13,920	6,579
Other payments for financing activities	0	0
Net cash flows from financing activities	13,696	-6,247

29. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of practice. However, decisions about resource allocation are taken by the authority's Executive on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- These figures exclude costs such as revaluations and impairment losses charged to the services section of the Comprehensive Income and Expenditure Statement
- The reported costs of retirement benefits are based on cash flows (payment of employer's pensions contributions) rather than current service costs accrued in the year
- Activities such as trading operations, investment activities and capital financing are included
- The intended usage of earmarked reserves is included as it forms a fundamental element of resource allocation decisions.

The income and expenditure of the Authority's Directorates recorded in the budget reports for the year is as follows:

2010-11	Children's Services £000	Adult Social Services £000	Area & Community Services £000	Community & Environment Services £000	Regeneration & Culture Services £000	Resources £000	Chief Executive £000	Housing Revenue Account £000	Other Direct Services £000	**Total £000**
Fees, charges & other income	-63,364	-51,518	0	-99,858	-11,882	-26,511	-98	-17,345	2,601	**-267,975**
Government grants	-256,392	-7,668	0	-5,259	-15,152	-107,688	0	0	0	**-392,159**
Total Income	**-319,756**	**-59,186**	**0**	**-105,117**	**-27,034**	**-134,199**	**-98**	**-17,345**	**2,601**	**-660,134**
Employee expenses	220,020	31,596	0	40,857	20,588	32,186	2,210	5,736	6,183	**359,376**
Other operating expenses	134,539	96,320	0	138,043	26,491	132,418	480	12,306	-3,665	**536,932**
Total operating expenses	**354,559**	**127,916**	**0**	**178,900**	**47,079**	**164,604**	**2,690**	**18,042**	**2,518**	**896,308**
Net Operating Expenditure	**34,803**	**68,730**	**0**	**73,783**	**20,045**	**30,405**	**2,592**	**697**	**5,119**	**236,174**

2009-10	Children's Services £000	Adult Social Services £000	Area & Community Services £000	Environment Services £000	Regeneration & Culture Services £000	Resources £000	Chief Executive £000	Housing Revenue Account £000	Other Direct Services £000	**Total £000**
Fees, charges & other income	-62,392	-18,293	-20,950	-52,326	-2,655	-18,893	-58	-17,298	-7,860	**-200,725**
Government grants	-245,195	-10,765	-408	-3,952	-16,002	-101,332	0	0	0	**-377,654**
Total Income	**-307,587**	**-29,058**	**-21,358**	**-56,278**	**-18,657**	**-120,225**	**-58**	**-17,298**	**-7,860**	**-578,379**
Employee expenses	220,757	40,823	18,212	28,892	20,985	15,317	928	531	16,481	**362,926**
Other operating expenses	124,187	62,108	17,926	83,918	18,818	134,829	1,662	15,800	15,713	**474,961**
Net Operating Expenditure	**37,357**	**73,873**	**14,780**	**56,532**	**21,146**	**29,921**	**2,532**	**-967**	**24,334**	**259,508**

Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement:

	2010-11 £000	**2009-10 £000**
Net Operating Expenditure in Service Analysis	236,174	259,508
Add services not included in main analysis	0	0
Add amounts not reported to management	22,493	7,727
Remove amounts reported to management not in CIES	28,904	2,089
Net Cost of Services in CIES	**287,571**	**269,324**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010-11	Service Analysis £000	Not reported to Management £000	Not included in I&E £000	Net Cost of Services £000	Corporate Amounts £000	**Total £000**
Fees, charges & other service income	-267,243	-9,122	90,616	-185,749	0	**-185,749**
Government grants and contributions	-392,159	-467	23,773	-368,853	-149,041	**-517,894**
Interest and investment income	-732	0	732	0	-7,635	**-7,635**
Income from council tax	0	0	0	0	-154,219	**-154,219**
Revaluation gain on investment properties	0	0	0	0	-276	**-276**
Total Income	**-660,134**	**-9,589**	**115,121**	**-554,602**	**-311,171**	**-865,773**
Employee expenses	359,376	233	-17,195	342,414	0	**342,414**
Other service expenses	505,555	18,132	-76,556	447,131	339	**447,470**
Depreciation, amortisation and impairment	22,223	129,061	16,688	167,972	154	**168,126**
Interest payments	8,961	0	-8,961	0	8,929	**8,929**
IAS 19 Adjustment	0	-115,344	0	-115,344	16,667	**-98,677**
Precepts & Levies	193	0	-193	0	2,647	**2,647**
Payments to Housing Capital Receipts Pool	0	0	0	0	244	**244**
Loss on disposal of investment properties	0	0	0	0	25	**25**
Loss on disposal of non current assets	0	0	0	0	16,353	**16,353**
Total operating expenses	**896,308**	**32,082**	**-86,217**	**842,173**	**45,358**	**887,531**
Surplus or deficit on the provision of services	**236,174**	**22,493**	**28,904**	**287,571**	**-265,813**	**21,758**

2009-10 Comparative	Service Analysis £000	Not reported to Management £000	Not included in I&E £000	Net Cost of Services £000	Corporate Amounts £000	**Total £000**
Fees, charges & other service income	-192,153	0	1,577	-190,576	-1,577	**-192,153**
Government grants and contributions	-377,654	0	18,149	-359,505	-139,016	**-498,521**
Interest and investment income	-8,572	0	8,572	0	-8,572	**-8,572**
Income from council tax	0	0	0	0	-150,100	**-150,100**
Revaluation gain on investment properties	0	0	0	0	-13223	**-13,223**
Gain on disposal of investment properties	0	0	0	0	-729	**-729**
Total Income	**-578,379**	**0**	**28,298**	**-550,081**	**-313,217**	**-863,298**
Employee expenses	362,926	-1,949	0	360,977	0	**360,977**
Other service expenses	466,026	8,372	-17,274	457,124	1,732	**458,856**
Depreciation, amortisation and impairment	0	14,536	0	14,536	0	**14,536**
Interest payments	8,716	0	-8,716	0	8,716	**8,716**
IAS 19 Adjustment	0	-13,232	0	-13,232	23,137	**9,905**
Precepts & Levies	219	0	-219	0	2,514	**2,514**
Payments to Housing Capital Receipts Pool	0	0	0	0	179	**179**
Loss on disposal of non current assets	0	0	0	0	3,444	**3,444**
Total operating expenses	**837,887**	**7,727**	**-26,209**	**819,405**	**39,722**	**859,127**
Surplus or deficit on the provision of services	**259,508**	**7,727**	**2,089**	**269,324**	**-273,495**	**-4,171**

30. Local Government Reorganisation

In April 2009 Cheshire West & Chester Council and Cheshire East Council were formed to replace six District Councils and one County Council. As the County Council previously undertook activities which are now split between both new Councils it was necessary to disaggregate its assets and liabilities between the two bodies.

During 2009-10 and 2010-11 the majority of outstanding joint liabilities and assets have been settled but a small number still remain.

Arrangements Resolved during 2010-11
During the last 12 months the Councils have agreed a settlement regarding the ongoing usage of assets previously used to deliver services across both Councils. These administrative assets have now largely been transferred to the Council where they are geographically placed and financial compensation has been paid for the loss of use by the other party. The net payment made by Cheshire West & Chester Council to buy out the Cheshire East interest in these properties was funded by the liability held in its accounts for that purpose.

The Councils have also reached agreement on the allocation of accrued pension liabilities arising from the activities of the former County Council between the two bodies. This agreement has resulted in an adjustment being made to reduced the opening pension liabilities held by Cheshire West and Chester. This prior period adjustment is outlined in more detail in Note 52.

Ongoing Issues
The Councils have agreed to retain a small number of assets which are being held to the benefit of both Councils. These include the jointly utilised archives and library stores building, a shared data centre and ICT infrastructure equipment. These assets are all held by Cheshire West & Chester Council and are accounted for in full on the balance sheet at a value of £3.8m. A liability valued at £1.9m reflecting the interest held by Cheshire East in these assets is included within the Council's Balance Sheet.

The Councils continue to operate jointly to deliver a number of services. These Pan Cheshire services are listed in Note 35. The Council only accounts for its share of any costs, income, assets or liabilities in accordance with their status as Jointly Controlled Operations under IAS 31.

The Councils also maintain a number of jointly held Reserves which are utilised to meet liabilities from the former County Council. Residual surpluses or deficits on these Reserves will be shared between the Councils once all outstanding liabilities have been discharged. Two balances are held by Cheshire East on behalf of both Councils; an Insurance Provision/Reserve (see Note 23) and a Relocations Reserve to pay excess travel costs for those staff relocating to Cheshire East following LGR, this latter Reserve holds approximately £2.2m at 31st March 2011. At present there is not forecast to be a material surplus or deficit on these Reserves so they are not reflected in the Accounts of Cheshire West & Chester Council.

31. Trading Operations

The Council has a variety of trading units covering a range of activities which generate income from third parties or from charges made to other areas of the Council. The Council has set a de-minimis level of £1.0m turnover in establishing new trading accounts. These operations include the Council managing a number of commercial properties and trading estates from which it generates income each year. The surplus generated is used to offset the running costs of the Council. Other trading operations primarily exist to supply services within the Council. Details of the trading operations are shown below:

	Expenditure 2010-11 £000	Income 2010-11 £000	(Surplus)/ Deficit 2010-11 £000	Expenditure 2009-10 £000	Income 2009-10 £000	(Surplus)/ Deficit 2009-10 £000
Industrial and Commercial Properties	8,179	9,160	-981	2,400	7,217	-4,817
Transport Management Organisation	2,983	3,003	-20	2,152	2,418	-266
CBS - Catering	6,100	5,955	145	5,765	5,706	59
CBS - Cleaning	3,714	3,829	-115	3,339	3,339	0
CBS - Supplies	1,980	1,695	285	4,605	4,633	-28
Outdoor Education	3,449	3,425	24	3,679	3,187	492
Other Trading Accounts	2,202	2,196	6	2,345	2,316	29
Total	**28,607**	**29,263**	**-656**	**24,285**	**28,816**	**-4,531**

- The Industrial and Commercial Properties trading account lets Council owned business premises to small and medium size enterprises across the Borough.
- The Transport Management Organisation (TMO) operates as a trading account for the provision of cars and commercial vehicles to meet the Council's transport requirements.
- CBS Catering operates as a trading account for school meals and staff catering.
- CBS Cleaning operates as a trading account for the provision of caretaking and cleaning services to schools, offices and other organisations.
- CBS Supplies operates as a trading account for the provision of a cost effective source of education and office supplies. The CBS Supplies trading account was closed in March 2011. In 2011-12 the Council will purchase its supplies from external contractors.
- The Outdoor Education trading account relates to outdoor residential centres operated by Cheshire West & Chester Council.

32. Agency Services

- As part of their operations Council's undertake a number of activities, not in their own right, but on behalf of another body, typically a central government department. The costs of delivering this service are reimbursed by the other body. As the associated costs and income are not part of the Council's normal responsibilities they are not included in the reported accounts.
- For 2010-11 Cheshire West & Chester Council undertook the role of collecting National Non Domestic Rates in its area on behalf of the Department of Communities and Local Government (CLG). Under this arrangement the Council collected and paid over £131m of income and received £0.5m towards the costs of undertaking this process. Details about the transactions undertaken on behalf of CLG are disclosed in the Collection Fund and its accompanying notes. The only balance remaining in the Councils Accounts is a £0.5m debtor reflecting cash collected and paid to CLG over and above the amounts collected.

Removal of Agency Balances	2010-11 Adjustment £000	Balance Sheet Heading
Balances reflecting work undertaken on behalf of CLG		
Remove Business Rates Arrears	-4,691	Debtors
Remove Debt Provision for non collection of Rates	1,742	Debtors
Remove Receipts in Advance from Rate Payers	4,395	Creditors
Remove Debtor from CLG (accrual basis)	-1,992	Debtors
	-546	
Balances Introduced to reflect cash paid over to CLG but not yet collected		
Balances due from CLG	546	Debtors

- The Council also undertook an agency role in the collection of Council Tax on behalf of its major precepting bodies, Cheshire Police Authority and Cheshire Fire and Rescue Service. Under this arrangement the Council as a billing authority billed for £24.8m of Council Tax income on behalf of the two major preceptors. This income is not included in the Income and Expenditure Statement. At the year end the Council held a number of balance sheet items relating to the collection of Council Tax, these items have been apportioned across the precepting bodies in line with their precepts.

Removal of Agency Balances	2010-11 Adjustment £000	Balance Sheet Heading
Balances now reported by Cheshire Fire and Cheshire Police		
Remove non CWAC share of Arrears	-1,133	Debtors
Remove non CWAC share of Debt Provision	510	Debtors
Remove non CWAC share of Receipts in Advance	517	Creditors
Remove non CWAC share of Collection Fund Deficit	-77	Reserves
	-183	
Balances Introduced to reflect monies owed by Preceptors		
Balances due from Preceptors	183	Debtors

- The Council collects income in relation to its Business Improvement Districts (BIDs) in Northwich and Winsford. It collected approximately £0.27m of Business Rates in 2010-11 on behalf of Groundwork who provide environmental and

security services to the BIDs. At 31 March the Council held cash balances of £0.026m awaiting payment.

33. Members' Allowances

In accordance with the Local Authorities (Member's Allowances) Regulations 2003, the total amount spent on member's allowances in 2010-11 was £1.3m. The payments include basic allowance, special responsibility allowance and members pension costs. It does not include the direct reimbursement of costs incurred. The current level of allowances was established following an independent review.

	2010-11 £000	2009-10 £000
Basic Allowance	826	826
Special Responsibility Allowance	279	293
Mayors and Deputies Allowances	13	17
Pension	124	128
Members NI's	80	69
Expenses paid on Members behalf	-	1
Total Members' Allowances	**1,322**	**1,334**

34. Officers Remuneration

The table below shows the number of employees who were paid more than £50,000 but not more than £150,000 in 2010-11. Pay includes salary, travel and subsistence costs, redundancy, and leased car subsidy (where appropriate). It does not include employers' pension or national insurance contributions.

Employee Pay Band	2010-11	2009-10
£50,000 - £54,999	130	126
£55,000 - £59,999	90	86
£60,000 - £64,999	56	67
£65,000 - £69,999	20	25
£70,000 - £74,999	10	14
£75,000 - £79,999	6	12
£80,000 - £84,999	12	15
£85,000 - £89,999	11	11
£90,000 - £94,999	1	5
£95,000 - £99,999	2	3
£100,000 - £104,999	3	3
£105,000 - £109,999		2
£110,000 - £114,999	2	3
£115,000 - £119,999		
£120,000 - £124,999		
£125,000 - £129,999	2	3
£130,000 - £134,999		1
£135,000 - £149,999		
Total	**345**	**376**

The following table shows the remuneration of senior officers who earn more than £150,000 per annum in 2010-11. Such officers are required to be individually listed by name and their remuneration shown in the following categories in accordance with the Accounts and Audit Regulations 2009.

Senior Officers earning in excess of £150,000

Name	Salary	Benefits in Kind	Total Remuneration excluding pension	Employers Pension Contributions	Total Remuneration including pension
	£000	£000	£000	£000	£000
Mr S Robinson - Chief Executive	193	2	195	40	235

The following table shows the remuneration for senior officers whose salary is between £50,000 and £150,000 per annum in 2010-11. These individuals are contained within the summary banded table above but, in line with the Accounts and Audit Regulations 2009, such officers are required to be listed individually.

In addition to those posts listed the Council also utilised the services of some non employees during the year to support the management structure of the organisation.

Between April and September the role of Head of ICT Shared Services was undertaken by an individual contracted for by the Council at a cost of £35,359. From October this post was appointed to and is included in the table below.

During March 2011 the Council confirmed the appointment of a new Strategic Director of Childrens Services in a joint role covering Cheshire West and Chester and Halton Borough Council, this individual is employed by Halton so does not appear on the list below but the Council will be contributing to costs. The appointment was only made late in March 2011 so no significant costs were incurred in 2010-11.

Post holder information (Post title)	Salary	Benefits in Kind (e.g. Car Allowance)	Compensation for loss of office	Total Remuneration excluding pension contributions 2010-11	Pension Contributions	Total Remuneration including pension contributions 2010-11
	£	£	£	£	£	£
Director Adult Social Care and Health (Commenced 25.10.10)	47,903	572		48,475	9,964	58,439
Director Adult Social Care and Health (ended 30.06.10)	33,250	339	32,000	65,589	6,500	72,089
Deputy Director Childrens and Young People Service	124,994	1,592		126,586	25,999	152,585
Director of Community & Environment Service	111,933	947		112,880	23,282	136,162
Director of Regeneration and Culture	112,027	1,239		113,266	23,302	136,568
Director of Resources	124,994	370		125,364	25,999	151,363
Head of Achievement & Wellbeing	83,063	1,432		84,495	17,277	101,772
Head of Culture and Recreation	80,014	1,505		81,519	16,643	98,162
Head of Legal & Democratic Services	83,163	1,337		84,500	17,298	101,798
Head of Facilities and Asset Management	86,466			86,466	17,985	104,451
Head of Finance	83,062	1,356		84,418	17,883	102,301
Head of Human Resources & Organisational Development	77,801	1,297		79,098	16,603	95,701
Head of ICT & Customer Services	83,661	1,233		84,894	17,402	102,296
Head of ICT Shared Services (Commenced 28.10.10)	39,131	1,020		40,151	7,355	47,506
Head of Marketing and Communications	63,188	229		63,417	13,143	76,560
Head of Neighbourhood Renewal	71,994	1,538		73,532		73,532
Head of Social Care Provision	82,994	1,239		84,233	17,263	101,496
Head of Planning and Transport	87,841	1,416		89,257	18,271	107,528
Head of Policy, Performance, Partnerships	85,978	1,233		87,211	17,883	105,094
Head of Strategy & Commissioning	82,332	1,239		83,571	17,125	100,696
Head of Procurement	87,972	1,314		89,286	18,298	107,584
Head of Regeneration	73,787	1,531		75,318	15,348	90,666
Head of Regulatory Services	84,438	1,233		85,671	18,170	103,841
Head of Safeguarding	87,332	1,346		88,678	18,165	106,843
Head of Strategic Housing and Spatial Planning	82,994	1,546		84,540	17,263	101,803
Head of Strategic Support	70,320	1,210		71,530	14,627	86,157
Head of Waste Management and Street Scene	84,148			84,148	17,985	102,133
Total	**2,216,780**	**29,313**	**32,000**	**2,278,093**	**447,033**	**2,725,126**

35. Audit Costs

Cheshire West & Chester Council has incurred the following fees relating to external audit and inspection:

Fees Payable to the Audit Commission	2010-11 £000	2009-10 £000
External audit services carried out by the appointed auditor	367	404
Statutory inspection	16	16
Certification of grant claims and returns	192	276
Total	**575**	**696**

36. Dedicated Schools Grant

The funding of schools is provided via the Dedicated Schools Grant (£190m in 2010-11). This is a ring-fenced grant and can only be applied to meet expenditure properly included in the Schools Budget. The grant is, therefore, credited against Children's and Education Services in the Comprehensive Income and Expenditure Statement. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and under spending on the two elements are required to be accounted for separately. The Council is also able to supplement the Schools Budget from its own resources.

Details of the deployment of DSG receivable for 2010-11 are as follows:

Schools Budget Funded by Dedicated Schools Grant

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2010-11	22,331	165,144	**187,475**
Brought forward from 2009-10	2,204	-	**2,204**
Carry forward to 2011-12 agreed in advance	-	-	**-**
Agreed budgeted distribution in 2010-11	24,535	165,144	**189,679**
Actual Central Expenditure	20,415	-	**20,415**
Actual ISB deployed to Schools	-	165,144	**165,144**
Local authority contribution 2010-11	-	-	**-**
Carry Forward 2011-12	**-4,120**	**-**	**-4,120**

37. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010-11.

	2010-11 £000
Credited to Taxation and Non Specific Grant Income	
Used to Finance Council Activities in Year	
Council Tax	154,219
Revenue Support Grant	11,853
National Non-Domestic Rate	81,629
Area Based Grants	21,796
PFI Grant	3,032
Used to Finance Capital Expenditure	
Capital Grants Utilised in Year	17,571
Capital Contributions Utilised in Year	3,376
Set Aside for Future Capital Financing	
Capital Grants Set Aside for Future Usage	9,016
Capital Contributions Set Aside for Future Usage	768
Total	**303,260**
Credited to Services	
Dedicated Schools Grant (DSG)	187,475
Mandatory Rent Allowances: subsidy	72,205
Standards Fund	20,544
Council Tax Benefit: subsidy	22,535
Sixth Forms Funding (Young Peoples Learning Agency)	16,427
School Standards Grant	9,638
Mandatory Rent Rebates outside HRA: subsidy	9,532
Sure Start Grant	11,103
Further Education Funding Council	10,009
Adult and Community Learning	4,660
Housing Benefit and Council Tax Benefit Administration	2,414
Social Care Reform Grant	1,448
Concessionary Fares	1,173
Other Grants	7,506
Total	**376,669**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they still have conditions attached to them that, if they remain unmet, may require the monies or property to be return to the giver. The balances at year-end are as follows:

	2010/11 £000	2009-10 £000
Capital Grants and Contributions Receipts in Advance		
Devolved Formula Capital	4,757	6,156
Primary Capital Programme Grant	1,788	210
Regional Housing Grants	-	2,490
North West Devt Agency	-	629
Pot Hole Repair Grant	1,404	-
Derelict Land Grants	1,767	2,249
Big Lottery Fund	-	841
Other Grants	1,162	2,260
S278 and other Contributions	279	84
Total	**11,157**	**14,919**
Revenue Grants Receipts in Advance		
Dept of Health - Extra Care Grant	3,254	4,338
Dept of Education - Various	3,248	3,024
Learning and Skills Council - Adult Education Funding	825	613
Other Govt Bodies	255	153
Total	**7,582**	**8,128**

38. Related Party Transactions

The Code of Practice requires the Authority to disclose in its Statement of Accounts any material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. This disclosure allows readers to assess how much the Council might have been restricted in its ability to operate independently. It also allows them to assess how much the Council might have become able to limit another party's ability to bargain freely with the Authority. Where it is identified that external bodies, organisations or individuals (either within or outside the Authority) have the potential to control or influence the Authority or be controlled or influenced by the Authority, a disclosure may be necessary. All elected Members, Chief Officers and Senior Managers are also required to complete a declaration regarding whether they or members of their close family or same household are involved in any such activity where there could be deemed to be an element of control or influence.

Links to External Bodies (Council)

The body in position to exert the greatest influence over the Council is Central Government which has effective control over the general operations of the Council which it could exercise through statutory measures, directions to operate in a specific way or through financial pressure. It is responsible for providing the statutory framework which the Council operates in. It prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits) and providing the majority of the Council's funding in the form of grants.

Details of material transactions with Central Government are shown throughout these notes and include those listed below, the final year end debtor or creditor position is also shown in those disclosures:

• Grant Funding from Govt	Note 37	£680m
• Business Rate Payments to Govt Collection Fund		£131m
• Landfill Allowance Trading Scheme	Note 19b	£0.86m

The Council undertakes significant transactions with the Cheshire Police Authority and Cheshire Fire and Rescue Service. These relate to the payment of Council Tax income collected on behalf of these bodies, these values are disclosed in the Collection Fund Account and amount to collection of Council Tax and payment over of Precepts totalling £18m (Police) and £8m (Fire).

The Council undertakes transactions with the Pension Fund in the form of contributions to fund future Pension payments for Council employees (2010-11 payments were £33m). Details of these transactions are disclosed in Note 46. The Pension Fund also utilises the Councils financial systems for making payments and collecting income, these transactions do not form part of the Council's year end accounts as they are not a Council function but the year end net debtor owed by the Fund for payments made on their behalf by the Council are reflected (2010-11 £4.6m). The Pension Fund is administered and governed independently of the Council to avoid the potential for undue influence to be exerted.

The Council also carries out a significant element of its services in partnership with Cheshire East Council. In 2010-11 the Council itself spent £33.3m delivering services jointly with Cheshire East, £7.5m of these costs were subsequently recharged to Cheshire East. These transactions are disclosed in Note 51. At the end of the financial year £6m of funding was outstanding as a debtor balance and is included in the Council's balance sheet.

The Council works closely in partnership with local health care commissioners, principally through Primary Care Trusts. These bodies fund a number of services provided by the Council on behalf of the Health sector where health and care needs coincide. In 2010-11 this figure was £12.3m of which £0.3m was outstanding as a debtor.

Alongside these individually significant relationships the Council works with a wide range of charitable and voluntary bodies who work in areas which are complementary to the Council's objectives. The contributions can be either a direct financial payments or non financial contribution to support the running of the body. The total direct financial contributions to such organisations for 2010-11 amounted to £7.675m (this includes a payment of £4.066m to Connexions for targeted youth support for young people aged 13-19). The authority also commits to staff time and support when working with its partners and, in certain cases, is represented at Officer or Member level in strategic decision making. Further details of the relationship with Connexions are disclosed in Note 50. On review of these payments the Council does not feel that any undue influence is exerted on these organisations as a result of the contributions made.

Links to External Bodies (Members and Officers)

Members of the Council have direct control over the Council's financial and operating policies. To safeguard against the misuse of this influence Members are required to declare the existence and nature of any personal interests in any matter on a Committee/Executive agenda and, if the interest is prejudicial, to remove themselves from the meeting. In 2010-11 Members held interests in the following organisations with whom the Council carried out business.

Payments to Organisations where Members or their close relatives hold a personal interest	**2010-11 £**
Booher Construction Services Limited	192,072
Muir Housing Association Limited	1,128,301
Chester & District Housing Trust	1,553,124
Barrowmore Limited	261,739
ASC Developments	15,526
Weaver Vale Housing Trust	980,202

Of these, Chester & District Housing Trust, Muir Housing and Weaver Vale carried out a significant level of business with the Council, as a major supplier of social housing in the borough this level of activity is not unusual. The roles the Council Members hold on these bodies are in keeping with other Executive and Non Executive Members of their Boards and the Councillors do not have the ability to control the activities of these bodies.

In addition to their personal roles, various Members of the Council fulfil roles on other bodies as part of their Council duties. They are on these bodies as representatives of the Council rather than in a personal capacity but as they are in position to influence those bodies any non typical business is highlighted in this note.

In accordance with Section 117 of the Local Government and Finance Act 1972, all senior officers of the Council have been asked to declare any interests in other bodies with whom the Council may have dealings. No significant "pecuniary interests" have been identified during 2010-11.

39. Capital Expenditure and Financing

The Council's Capital Financing Requirement has marginally increased in year as expenditure incurred has exceeded funding set aside by £17m. This is in part due to a significant balance of capital funding which is on the Capital Grant Receipts in Advance in the balance sheet. This balance is not part of the Capital Financing Requirement calculation as not all conditions of the funding have been met but the Council anticipates meeting these conditions and releasing the funding in the future, in many cases expenditure linked to this funding has already been incurred. The Capital Financing Requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

		2010-11 £000
Opening Capital Financing Requirement		242,954
Capital Investment		
- Expenditure on Capital Assets		
- Property, Plant and Equipment	58,238	
- Investment Assets	196	
- Intangible Assets	27	
- REFCUS - expenditure of a capital nature	9,442	
- Excess on Settlement of Capital Liabilities	376	
- Loans of a capital nature	0	
Total		68,279
Sources of Finance		
- Capital Receipts	-5,576	
- Govt Grants and Contributions Applied	-20,947	
- Tfr from Unapplied Grants and Contributions	-1,431	
- Revenue Contributions	-4,852	
- Income from Repayment of Capital Debtors	-4,634	
- Release of Surplus Capital Creditors	-1,033	
- Capital and Other Reserves	-3,525	
- Revenue Provision for Debt Repayment	-8,810	
Total		-50,808
Closing Capital Financing Requirement		**260,425**

40. Leases

Authority as Lessee: Finance Leases
The following values of assets are held under finance leases by the Council, accounted for as part of Property, Plant and Equipment:

	Vehicles, Plant & Equipment 2010-11 £000	Vehicles, Plant & Equipment 2009-10 £000
Net Book Value at 1st April	2,313	2,817
New Leases	266	422
Depreciation	-739	-926
Disposals	0	0
Value at 31st March	**1,840**	**2,313**

The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

	2010-11 £000	2009-10 £000
Finance Lease Liabilities		
Current (payable within 1 year)	678	999
Non Current	895	1,572
Finance costs payable in future years	187	379
Minimum lease payments	**1,760**	**2,950**

The Minimum lease payments will be payable over the following periods:

	Minimum Lease Payment		Finance Lease Liabilities	
	2010-11 £000	2009-10 £000	2010-11 £000	2009-10 £000
No later than one year	736	1,191	678	999
Between one and five years	1,024	1,759	895	1,572
Later than five years				
	1,760	**2,950**	**1,573**	**2,571**

Operating Leases

Commitments under Operating Leases

The Authority was committed at 31 March 2011 to making payments of £6.25m under operating leases, comprising the following elements:

Land and Buildings - the authority leases various buildings on a long term basis, these are accounted for as operating leases. The lease payments for 2010-11 were £0.8m.

Vehicles, Plant and Equipment – the Authority uses cars, vans, pest control vehicles, recycling vehicles, street cleansing vehicles, photocopiers and printers financed under terms of an operating lease. The amount paid under these arrangements in 2010-11 was £0.9m. The Authority also maintains a number of operational car leases costing £0.5m. The future minimum lease payments due under non-cancellable leases in future years are as follows.

	2010-11 £000	2009-10 £000
No later than one year	634	1,336
Between one and five years	2,125	2,098
Later than five years	3,493	3,684
	6,252	**7,118**

Authority as Lessor

The Authority leases out elements of its Property portfolio to various organisations as part of its dual aims of helping to generate economic activity in the area and in order to generate a return on assets held. These leases are all categorised as operating leases due to the relatively short length of the agreements, the fact the returns only reflect a small proportion of the asset’s value and the nature of the lease agreements.

The properties comprise a mix of commercial offices and outlets, industrial units and pieces of land for development or agricultural works. These leases vary in length from short term to over 100 years but the longer leases are largely only for peppercorn rental income.

The total value of receipts in 2010-11 was £6.5m, through maintaining existing leasing arrangements and re-letting any tenancies that expire, the Council anticipates retaining its lease returns at this level for the foreseeable future. Approximately £1m of the existing income relates to leases which are due to expire in the next five years.

All income generated from these leases is reflected in the Comprehensive Income and Expenditure Statement as it becomes due, primarily as part of the Income and Expenditure in relation to Investment Properties line of the Financing and Investment Income line of the Statement.

41. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. Following a competitive procurement process, this contractor will design, build, finance and operate these assets in response to a specification set out by the Council. The assets are made available to the Council over a specified period (the service concession period) and in return the Council will make regular payments to the contractor over this period (the Unitary Payment). This charge covers the running costs of the facility and contributes to the capital financing costs the contractor incurred.

The Council has two operational PFI schemes:

- A scheme to provide school premises together with associated facilities management services (e.g. caretaking, cleaning and catering) in the Ellesmere Port area. There are 5 schools which were constructed under this agreement and additional facilities were developed at a sixth. The service commenced in September 2003 and will continue for 30 years until 2033. These facilities will revert to Council ownership at the end of the PFI contract.
- A contract for providing facilities and support for extra care housing at two sites in the Council, Winsford and Ellesmere Port. This scheme is managed in partnership with Cheshire East Council where there are a further three sites. The scheme's first site became operational in January 2009 with others (including both the West sites) following in 2009-10, the contract runs until 2039. These facilities will not revert to the Council at the end of the contract although it will have the option to purchase them at that time.

Under changes to the reporting requirements applied since 2009-10 the assets which were constructed to deliver these schemes are now recorded on the balance sheet of the Council along with a liability showing the Council's commitment to make Unitary Payments in future years. Upon initial recognition these two values would offset each other but over time the values will diverge.

The Assets recognised under these schemes are held within Property, Plant and Equipment in the Council's Balance Sheet, they are treated in exactly the same way as any other Council asset, are subject to 5 yearly valuations and charged with annual depreciation.

	Net Book Value 31st March 2010 £000	Additions £000	Impairment £000	Depreciation £000	Net Book Value 31st March 2011 £000
Schools	7,652	3	0	-156	7,499
Extra Care Housing	23,854	0	0	-822	23,032
	31,506	**3**	**0**	**-978**	**30,531**

The liabilities are written down each year as Unitary Payments are made to the contractor. Only part of each Unitary Payment can be applied to writing down the liability as it funds a mix of current services, financing costs and repayment of principal. The annual Unitary Payment has to be broken down into five separate components reflecting what is being funded.

- Service Costs — Reflecting new services delivered in 2010-11
- Financing Costs — Effective costs of borrowing, interest
- Contingent Rent — Inflationary costs
- Liability Repayment — Writing down the PFI liability
- Lifecycle Costs — Reflecting new capital expenditure on the asset

2010-11 Unitary Payment Breakdown	Schools £000	Extra Care £000	Total £000
Service Costs	582	10	592
Financing Costs	840	1,097	1,937
Contingent Rents	99	20	119
Liability Repayment	320	609	929
Lifecycle Costs	3	0	3
	1,844	**1,736**	**3,580**

Future Payments under the PFI Contract	Service Costs £000	Capital Costs £000	Interest £000	Total £000
Schools				
Obligations Payable in 2011-12	626	333	897	1,856
Payable between 2012-13 and 2015-16	2417	1456	3,511	7,384
Payable between 2016-17 and 2020-21	3778	2228	3,833	9,839
Payable between 2021-22 and 2025-26	4357	2860	3,345	10,562
Payable between 2026-27 and 2030-31	5128	4005	2,206	11,339
Payable between 2031-32 and 2035-36	2566	2431	782	5,779
	18,872	**13,313**	**14,574**	**46,759**
Extra Care				
Obligations Payable in 2011-12	-24	689	1135	1,800
Payable between 2012-13 and 2015-16	217	2,894	4213	7,324
Payable between 2016-17 and 2020-21	578	4,131	4757	9,466
Payable between 2021-22 and 2025-26	979	5,036	3840	9,855
Payable between 2026-27 and 2030-31	1122	6,021	3151	10,294
Payable between 2031-32 and 2035-36	1571	7,308	1913	10,792
Payable between 2036-37 and 2040-41	818	4,448	901	6,167
	5,261	**30,527**	**19,910**	**55,698**

The Unitary Payments are primarily funded from grants received from the Department of Communities and Local Government but the Council also contributes to the costs. In the case of the Schools scheme these contributions are split between the Local Education Authority and the schools themselves.

The nature of the central government funding is such that the Council receives a fixed grant payment each year, these payments are not index linked and will not alter throughout the contract period. The Unitary Payment is index linked and will vary with inflation over the thirty years of the scheme. This leads to an imbalance between the timing of the schemes main sources of income and the payments it needs to make with the scheme operating at a surplus in early years and a deficit in later years. To prevent this imbalance from impacting upon Council Tax requirements the Council operates two PFI equalisation reserves to retain the surpluses generated in the early years of the schemes. The balances on these reserves are disclosed below.

	Balance £000	Movement £000	Balance at 31st March 2011 £000
Schools	2,696	393	3,089
Extra Care Housing	673	-15	658
	3,369	**378**	**3,747**

42. Impairment Losses

During 2010-11 the Council has impaired a number of assets reflecting a reduction in their value to the Council as an operational asset or a fall in the return that they are expected to generate. In total these impairments are valued at £28m. Within this balance significant items include

- £16m in relation to two school sites in Winsford which are to be provided to the Winsford Academy for usage for the new school replacing Woodford Lodge and Verdin High Schools.
- £3m reducing the value held for Chester Market reflecting the fact the facility is only generating sufficient income to cover its costs and is no longer generating the surplus the previous valuation was based upon.
- £2m reducing valuations of surplus closed schools to represent their value as land with restricted use.
- £1m reduction in the value of the Chester Enterprise Centre following a fire which destroyed the facility.

43. Capitalisation of Borrowing Costs

Under International Financial Reporting Standards Councils are now entitled to capitalise borrowing costs that are incurred during the undertaking of capital works to construct or acquire an asset. Cheshire West & Chester Council has adopted this practice in its accounting policies.

However, during 2010-11 the Council took the strategic decision to finance its capital works from existing cash balances rather than undertaking new borrowing. As no new borrowing was taken out to finance 2010-11 expenditure no borrowing costs were incurred and no costs can be capitalised.

44. Termination Benefits

The Authority agreed the early termination of a number of employee contracts in 2010-11, incurring liabilities of £1.8m. These costs comprised £1.4m of redundancy payments and £0.4m to fund early eligibility for pensions. All costs have been charged in full to the Comprehensive Income and Expenditure Statement in 2010-11. The redundancy costs have been funded from usable reserves in 2010-11 but the pensions costs become payable as part of the employers pensions contribution over the next 20 years and as such form part of the Pensions Reserve deficit.

These costs include allowances for a number of employees who were granted redundancy before the 31st March 2011 but had not actually left employment on that date. Funding of £0.3m has been set aside to fund these liabilities in the form of a provision on the balance sheet.

The main areas where redundancies were payable in 2010-11 were in relation to:

- the termination of the Council's business supplies operation in March 2011;
- preparing for the creation of a Community Interest Trust for Leisure Services in early 2011-12 by implementing efficiencies;
- implementing reductions in staffing as a result of the budget constraints which the Council has been given by its reduced funding settlement and withdrawal of grants.

45. Pension Schemes accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a national fund as the basis for calculating the employer's contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010-11, the Authority paid £13.8m to Teachers' Pension in respect of teachers' retirement benefits (£14.1m in 2009-10), representing 14.1% of pensionable pay.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefits basis and are detailed in Note 46.

46. Defined Benefit Pension Scheme

Participation in Pension Scheme

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS).

Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme, meaning that the scheme's liabilities are backed by investment assets. It is a statutory defined benefit final salary scheme and all employees of Cheshire West & Chester Council (other than teachers) may participate in the fund. The Authority and its employees pay contributions into the fund, calculated by the fund's independent actuary, at a level intended to balance the pensions liabilities with investment assets.

In 2010-11 the Authority paid employer contributions of £32.7m (£33.8m in 2009-10) into the Cheshire Pension Fund (the Fund). This represented 20.8% of employees (other than teachers) pensionable pay. The rate of employer contributions due to the fund is determined every three years and is based on a valuation by the Fund's actuary. The valuation effective for the 2010-11 financial year was undertaken as at 31 March 2010.

Accounting Treatment: This scheme is accounted for as a defined benefit scheme in accordance with International Accounting Standard 19 (IAS 19).

The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis, using the projected unit method and the assets of the fund are included at their fair value.

Teachers Discretionary Payments

The Council has also awarded discretionary early retirement benefits for teachers and this scheme is unfunded. The Council paid £5.5m in 2010-11 (£5.5m in 2009-10) in relation to this scheme, of which £3.0m has been recovered from Cheshire East, Halton and Warrington Borough Councils (£3.0m in 2009-10).

Accounting Treatment: This scheme is accounted for as a defined benefit scheme in accordance with International Accounting Standard 19 (IAS 19). The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method.

Restatement of 2009-10 Figures

The 2009-10 Statement of Accounts noted that the split between Cheshire West and Chester and Cheshire East Councils, of the net pension liability that related to the former County Council, was subject to review. That review has since been undertaken and the long term apportionment of accrued LGPS pension liabilities has now been agreed, based purely on taxbase. This revised split has resulted in a £6.0m reduction in Cheshire West and Chester's 2009-10 net pension liability. Adjustments have been to the following elements of the pension assets:

Opening balance sheet value of pension assets – increase of £4.4m;

Expected return on assets – increase of £0.3m;

Actuarial gains on pension assets – increase of £1.3m;

The 2009-10 comparative figures in this note have therefore been restated to reflect this revised split.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	LGPS 2010-11 £000	Teachers Unfunded Scheme 2010-11 £000	Total 2010-11 £000	LGPS Restated 2009-10 £000	Teachers Unfunded Scheme 2009-10 £000	Total Restated 2009-10 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current Service Cost	28,835		28,835	16,308		16,308
Past Services Cost/(Gain)	-109,167		-109,167	124		124
Settlements and curtailments	259		259	8,966		8,966
Financing and Investment Income and Expenditure						
Interest Cost	65,578	2,025	67,603	53,651	2,154	55,805
Expected Return on Scheme Assets	-50,936		-50,936	-32,668		-32,668
Post Employment Benefit Charge to SDPS	-65,431	2,025	-63,406	46,381	2,154	48,535
Other Post Employment Benefit Charged to the CIES						
Actuarial (Gains) and Losses	-277,776	-4,014	-281,790	283,301	6,889	290,190
Entity Combinations	1,814	0	1,814	0	0	0
Total Post Employment Benefit Charge to CIES	-343,207	-1,989	-345,196	329,682	9,043	338,725
Movement in Reserves Statement						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services	65,431	-2,025	63,406	-46,381	-2,154	-48,535
Actual amount charged against the General Fund						
Employers' contributions	32,722		32,722	33,787		33,787
Retirement Benefits Payable		2,534	2,534		2,520	2,520

The Past Service Gain recognised in the Comprehensive Income and Expenditure Statement arises from the decision to link pension increases to CPI rather than RPI and is shown as a past service gain in accordance with guidance issued in UITF Abstract 48, as the change is considered to be a change in benefit entitlement.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £249.7m.

Assets and Liabilities in Relation to Post-employment Benefits
Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	LGPS 2010-11 £000	Teachers 2010-11 £000	2010-11 £000	LGPS 2009-10 £000	Teachers 2009-10 £000	2009-10 £000
Opening Balance	1,272,028	38,985	1,311,013	775,235	32,462	807,697
Current service costs	28,835		28,835	16,308		16,308
Interest cost	65,578	2,025	67,603	53,651	2,154	55,805
Contribution by scheme participants	8,871		8,871	9,262		9,262
Actuarial (gains)/ losses	-261,909	-4,013	-265,922	438,446	6,889	445,335
Benefits paid	-37,408	-2,534	-39,942	-29,964	-2,520	-32,484
Entity Combinations	7,925		7,925			
Past service costs	-109,167		-109,167	124		124
Settlements and Curtailments	259		259	8,966		8,966
Value at 31st March	**975,012**	**34,463**	**1,009,475**	**1,272,028**	**38,985**	**1,311,013**

Reconciliation of fair value of the scheme (plan) assets:

	LGPS 2010-11 £000	Teachers Unfunded Liabilities 2010-11 £000	Total 2010-11 £000	LGPS 2009-10 £000	Teachers Unfunded Liabilities 2009-10 £000	Total 2009-10 £000
Opening Balance	713,000		713,000	512,101		512,101
Expected return on assets	50,936		50,936	32,668		32,668
Actuarial gains / (losses)	15,867		15,867	155,145		155,145
Employer Contributions	32,722		32,722	33,787		33,787
Contribution by scheme participants	8,870		8,870	9,263		9,263
Contibutions - unfunded benefits		2,534	2,534		2,520	2,520
Benefits paid	-37,408		-37,408	-29,964		-29,964
Unfunded benefits paid		-2,534	-2,534		-2,520	-2,520
Entity Combinations	6,113		6,113			0
Settlements			0			0
Closing balance as at 31 March	**790,100**	**-**	**790,100**	**713,000**	**-**	**713,000**

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £61.1m (£187.8m in 2009-10).

Scheme History

	2010-11 £000	2009-10 £000	2008-09 £000
Present value of liabilities:			
Local Government Pension Scheme	-975,012	-1,272,028	-775,235
Teachers' Unfunded Liabilities	-34,463	-38,985	-32,462
Fair value of assets in the LGPS	790,100	713,000	512,102
Surplus/(deficit) in the Scheme:			
Local Government Pension Scheme	-184,912	-559,028	-263,133
Teachers' Unfunded Liabilities	-34,463	-38,985	-32,462
Total	**-219,375**	**-598,013**	**-295,595**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £219.4m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary

- finance is only required to be raised to cover discretionary benefits when pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to the 31 March 2012 is £30.3m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Unfunded Teachers Liability have been assessed by Hymans Robertsons an independent firm of actuaries, estimates for the Council Fund being based on the latest valuation of the scheme as at 1 April 2011.

The principle assumptions used by the actuary have been:

	LGPS 2010-11	Teachers Unfunded Liabilities 2010-11	LGPS 2009-10	Teachers Unfunded Liabilities 2009-10
Long-term expected rate of return on assets				
Equity investments	7.5%	-	7.8%	-
Bonds	4.9%	-	5.0%	-
Property	5.5%	-	5.8%	-
Cash	4.6%	-	4.8%	-
Weighted expected return	**6.8%**	-	**7.1%**	-
Discount rate used to generate real values	2.7%	2.7%	1.6%	
Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	22.9 years	22.9 years	20.8 years	20.8 years
Women	25.7 years	25.7 years	24.1 years	24.1 years
Longevity at 65 for future pensioners				
Men	24.9 years	24.9 years	22.3 years	22.3 years
Women	27.7 years	27.7 years	25.7 years	25.7 years
Financial Assumptions				
Rate of inflation	2.8%	2.8%	3.8%	3.8%
Rate of increase in salaries	5.1%	n/a	5.3%	n/a
Rate of increase in pensions	2.8%	2.8%	3.8%	3.8%
Rate for scheme discounting liabilities	5.5%	5.5%	5.5%	5.5%

Take-up of option to convert annual pension into retirement lump sum

50% take up for pre April 2008 service and 75% take up for post April 2008 service

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Assets	Fund Value at 31st March 2011 £000	Proportion of the Fund %	Expected Return %	Weighted Return %
Equities	568,872	72%	7.50%	5.40%
Bonds	118,515	15%	4.90%	0.74%
Property	47,406	6%	5.50%	0.33%
Cash	55,307	7%	4.60%	0.32%
Total	790,100	100%		6.79%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010-11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010-11 %	2009-10 %	2008-09 %
Experience gains and losses on assets	2.00%	21.76%	110.99%
Experience gains and losses on liabilities	-16.05%	0.00%	105.78%

47. Contingent Liabilities

At 31 March 2011, the Authority had four material contingent liabilities:

Chester and District Housing Trust (CDHT)
As part of the housing stock transfer, the former Chester City Council gave a warranty to indemnify the Chester & District Housing Trust against any future costs arising from contamination, for a range of warranty periods. Aggregate claims are limited to £20m. This responsibility has passed to Cheshire West & Chester Council. It is considered that payments are now unlikely to arise against this liability.

First Potteries Limited
On 2 July 2007 the former Chester City Council sold its shares in Chester City Transport Limited (CCT) to First Potteries Limited. As part of the disposal agreement warranties have been given by the Council to First Potteries Limited relating to operational matters of CCT. The Council also gave a tax warranty, which expires on 2 September 2014. The aggregate liability of the warranty shall not exceed £500,000 save in respect of any claim of tax relating to the property distribution for which there is no cap. No liability has so far arisen under these warranties and the risk that one will arise is considered to be low.

Connexions
As described in Notes 3 and 50 the Council's Youth Service is provided by Connexions. On its creation the former County Council agreed to act as guarantor for any pension liability of the company meaning that should the company fail, the Council or its successor bodies would be liable to make up any pensions shortfall, either by making agreed payments to the Pension Fund, or by in-sourcing the service and taking on the responsibility for the employees pension contributions. Cheshire West & Chester Council have inherited a share of this responsibility. As at 31st March 2011 the company had an IAS 19 pensions deficit of 0.9m. The comparative figure for 2009-10 was a pension deficit of £13.1m.

PFI Waste Contract
As described in note 4, the Council is awaiting the outcome of a legal challenge regarding the withdrawal of PFI funding for its prospective waste management scheme. In partnership with Cheshire East Council this scheme would provide waste disposal facilities across the Council area but without the funding provided through PFI the upfront capital costs are unaffordable.

The Council is challenging the legitimacy of the decision to withdraw the funding for this scheme. Based upon Counsel's advice the Council is confident of a positive outcome to this challenge and has therefore continued to treat the costs incurred to date as assets under construction. These costs equate to approximately £2.8m. Should this challenge fail, or the Council for other reasons be unable to progress the scheme, the costs incurred to date will become abortive and will need to be charged to the Comprehensive Income and Expenditure Statement and the General Fund. Should this occur the Council will seek permission to capitalise these costs via a capitalisation order.

48. Contingent Assets

At 31 March 2011, the Authority had no material contingent assets.

49. Risks arising from Financial Instruments

The Council's treasury management activities expose it to a variety of risks that include

- Liquidity risk
- Credit risk
- Interest rate risk
- Inflation risk
- Refinancing risk
- Legal and regulatory risk

The nature of these risks and how the Council seeks to manage these risks are detailed in the following paragraphs.

The identification, understanding and management of risk are, by necessity, a major part of the Council's treasury management activities. To avoid the Council suffering loss as a result of its treasury management activities, a number of risk management procedures have been put in place. The purpose of these procedures is to manage the risks arising from the use of financial instruments down to acceptable and agreed levels.

These procedures are based on the concept that, firstly, security of principal is paramount, secondly that there is a need to maintain liquidity and finally, earning a rate of return commensurate with the first two concepts.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The management of the risks associated with the use of financial instruments is undertaken by the treasury management team. This team works within an annual Treasury Management Strategy that is approved by Full Council prior to the start of the financial year.

The treasury management strategy provides written principles for both overall risk management and for the specific risks listed above.

Liquidity Risk

Liquidity risk is the risk that the Council will not have sufficient cash resources to meet its obligations to its creditors and employees as they fall due for payment. The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its business / service objectives. It will also ensure that its cash flow forecasting gives as accurate a picture as possible of income and expenditure and the resulting residual daily cash balances.

There is a risk that the Council may be in a position where it may need to raise replacement long term loans at a time of unfavourable interest rates. This potentially

exposes the Council to the risk that it may suffer a fall in the amount of cash balances held at a time when securing replacement funding may be difficult and /or costly. To manage this risk down to an acceptable level, the Council tries to ensure that no more than £10m of long term loans will mature in any one financial year.

The existing long term loans of Cheshire West & Chester Council are scheduled to mature as follows; these balances include the interest that will be repayable:

	Public Works Loans Board £000	Banks £000	**Total 2010-11 £000**
In the next financial year	500		500
In the following financial year	-	-	-
In 2 to 5 years	7,371		7,371
In 5 to 10 years	-	-	-
In 10 to 15 years	-	-	-
In 15 to 20 years	12,786	-	12,786
In 20 to 25 years	18,747	-	18,747
In 25 to 30 years	22,135	-	22,135
In 30 to 40 years	27,105	17,659	44,764
In 40 to 50 years	30,905	5,151	36,056
	119,549	22,810	142,359

All trade and other payables are due to be paid in less than one year.

Credit and Counterparty Risk Management

Credit and counter-party risk is the risk that failure by a third party to meet its contractual obligations under an investment, loan or other commitment, whether this be a payment of interest or a repayment of principal amount, will have an unexpected adverse impact on the Council's financial position.

During the year 2010-11 the Council chose only to place deposits with those banks that had been able to take advantage of the UK Government credit guarantee scheme (UKCGS) following the financial crisis of 2008, or with money market funds that have the highest possible credit rating (being AAAmmf, AaaMR1+ or AAAm rated). The Council therefore does not expect any losses from non-performance by any of its counterparties.

	Amount at 31 March 2011	Historical (10 year) experience of default	Historical (10 year) experience adjusted for market conditions at 31 March 2011	Estimated maximum exposure to default & uncollectability
	£000	%	%	£000
Deposits with banks & builiding societies				
AAA Rating	-	-	-	-
AA- Rating	34,277	0.51	0.51	175
A+ Rating	500	2.22	2.22	11
Money Market Funds				
AAA Rated	30,216	0.186	0.186	56
Trade and Customer Debt	54,389	7.82	7.82	4,255

The Trade and Customer Debt figure include £46.5m of terms current debt for which a 0.5% non collection allowance has been made. The remaining debt is already significantly overdue and thus a higher risk value has been attached to it. Sufficient funding has been set aside in the bad debt provision to reflect the risk associated with all trade debts.

The Trade and Customer Debt balance includes sundry debt of £31.9m and debt with other public bodies of £22.5m. Of the £31.9m sundry debtors, £25.9m is invoiced debt and the Authority generally allows its customers 28 days credit, £6.0m of this debt is past its due date for payment. This past due amount is analysed by age as follows:

	Total Outstanding £000
Less than 3 months overdue	1,445
3 to 6 months overdue	827
6 months to 1 year overdue	1,179
More than one year overdue	2,591
Total	6,042

Interest Rate Risk

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a lower level of investment income than has been budgeted for. The Council will seek to manage its exposure to fluctuations in interest rates with the aim of minimising the net cost of interest charged to the Comprehensive Income and Expenditure Statement over the medium to long term. This will be achieved through the considered use of carefully selected approved financing and investment instruments, methods and techniques.

At present all of the Councils Long Term Borrowing is held on fixed rates and all short term borrowing is on flexible rates. In the current financial markets it would be prohibitively expensive to convert a significant element of the Long Term Borrowing to a variable rate due to the premiums that would be payable, all new short term borrowing

undertaken during the year is in variable rate instruments. The risk carried for future interest rate rises has therefore been minimised.

Loans and other borrowings are recorded in the Council's Statement of Accounts on the amortised cost basis. The fair value of borrowings is shown only as a note to the accounts. Any increases or falls in the value of fixed rate borrowings as a result of changes in interest rates will therefore be nominal and will have no impact on the Comprehensive Income and Expenditure Statement.

Changes in the amount of interest payable on variable rate borrowings and the amount of interest receivable on variable rate investments will be charged /credited to the Comprehensive Income and Expenditure Statement. Such changes will therefore impact on the Council Fund balance 'pound for pound'.

Movements in the fair value of available for sale assets will be reflected in the Other Comprehensive Income and Expenditure line in the Comprehensive Income and Expenditure Statement and recorded in the Available for Sale Reserve until such time as the asset is sold. At that time any gains / losses held in the Available for Sale Reserve in respect of that asset will be charged/ credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement and to the General Fund.

At 31 March 2011, had short term and long term interest rates been 0.5% higher and all other circumstances been the same, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	14
Increase in interest receivable on variable rate loans and receivables	-353
Impact on Income and Expenditure account	**-339**
Reduction in the fair value of available for sale assets	-
Impact on Comprehensive Income and Expenditure Statement	**0**
Reduction in the fair value of fixed rate borrowing (notional impact only)	-8,615

Inflation Risk

Inflation risk is the risk that unexpected changes in inflation expose the Council to greater costs, or a lower level of investment income, than has been budgeted for. The key consideration is that investments reap the highest real rate of return subject to the necessary credit risk criteria being satisfied. The effects of varying levels of inflation will be controlled by the Council as an integral part of its strategy for managing its overall exposure to inflation. It will achieve these objectives by the use of carefully selected approved financing and investment instruments, methods and techniques that aim to create stability and certainty of costs and revenues. At the same time the Council will also seek to retain a sufficient degree of flexibility that allows for it to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates, exchange rates or inflation.

Refinancing Risk

Refinancing risk is the risk that when loans or other forms of capital financing mature they cannot be refinanced on reasonable terms that reflect the assumptions made in formulating revenue and capital budgets.

Exposure to this risk will be managed through careful monitoring of the maturity profile of the Council's portfolio of long term loans. The aim will be to avoid, where possible, too large a proportion of the loans maturing in any single financial year. The Council will seek to make use of a wide variety of instruments in order to be over-reliant on a single source / type of funding.

Legal and Regulatory Risk
Legal and regulatory risk is the risk that either the Council or a third party, which it is dealing with in its treasury management activities, acts outside of its legal powers or regulatory requirements and as a result the Council incurs a loss. This Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements as set out in the Local Government Act 2003.

Capital Instruments

During the year 2010-11, the Council has not issued any finance through the issuance of capital instruments such as share capital, loan capital, debentures, bonds or other forms of debt instrument.

Bank Deposits made with Heritable Bank

During the early days of October 2008 the 3 major Icelandic banks, Glitnir, Landsbanki and Kaupthing collapsed. Following this collapse the Financial Services Authority (FSA) in the UK sought to have the UK subsidiaries of Landsbanki (being Heritable Bank) and Kaupthing (being Kaupthing Singer and Friedlander) placed into administration.

Heritable Bank was placed into administration on 7 October 2008. On this date the former Cheshire County Council had 3 amounts, details of which are given below, deposited with the bank.

Amount of Deposit	Rate of interest to be earned	Date on which the deposit was due to be repaid to the Council
£1 million	5.75%	9 October 2008
£2.5 million	5.75%	10 October 2008
£5 million	6.15%	2 January 2009

Cheshire West & Chester Council has inherited a 45.73% share of these deposits. The Council monies deposited with Heritable Bank are currently frozen and are subject to the process of administration. The administration process is being conducted by Ernst Young LLP.

During the year 2010-11 the administrators of Heritable Bank paid 3 dividends to the ordinary creditors of Heritable Bank. These dividends were paid in June 2010, October 2010 and January 2011 and represented 15.13% of the amount due on 7 October 2008. The 3 dividends received by Cheshire West & Chester Council during the year 2010-11 totalled £0.59m. These three further dividend payments bring the total number of dividend payments to 6 and represent 50.11% of the amount due on 7 October 2008.

The administration process has progressed broadly in line with the administrator's expectations. The quantum and timing of future dividend payments at 31 March 2011 is broadly the same as at March 2010.

The latest information available to the Council indicates that the Council can reasonably expect to receive around a further 7 dividends, each equal to around 5% of the amount owed at 7 October 2008, between April 2011 and September 2012. Should all of these amounts be paid then the total amount repaid will amount to just under 85% of the amount due on 7 October 2008.

The 'special' accounting rules that apply in respect of impaired financial assets also mean that Cheshire West & Chester Council can take credit for £0.092m of interest earned on such deposits in its Comprehensive Income and Expenditure Statement for the year 2010-11.

50. Interests in Companies

The Council has interests in two companies, Connexions Cheshire and Warrington Ltd and Chester Renaissance Ltd. These companies operate as independent entities and following review of the nature of the Council's relationships with these entities it has been determined that their results should not be reported alongside the Council's in a Group Account. This judgement has been based on assessments of:

- the materiality of the in year transactions and year end balances that were processed by the companies;
- the degree of control or influence the Council exerted or could have exerted over their activities;
- the level of risk that interest in these companies exposes the Council to;
- whether exclusion of these balances impacts on the messages contained within the Council's accounts.

Summary information about each organisation has been included below.

Connexions
In October 2007, as part of a national agenda to bring together services delivered to young people through Connexions and those provided by local authorities, into one Integrated Youth Support Service, Cheshire County Council transferred its Youth Service to Connexions Cheshire and Warrington Limited. Cheshire East Council now contracts with the Company for the provision of youth related services. The initial contract, which expired on 31 March 2011, has been amended and reduced in scope and extended for a further year to 31 March 2012.

The company is limited by Guarantee to the value of £1. In 2010-11 the company had an FRS17 pension deficit of £0.9m, for which the company accounts for under UK GAAP. This pension deficit has reduced significantly from £13.1m in 2009-10, due to a revaluation and a number of reductions in the workforce within the company during the year. Should the company cease trading then Cheshire West and Chester and Cheshire East Councils would be required to meet the on-going pension liabilities under

an agreement with the Cheshire Pension Fund entered into by the former County Council. Consequently a contingent liability note has been included within the Statement of Accounts.

The ownership of the company is split between Warrington Borough Council (WBC) at 25% with Cheshire West and Chester (CWAC) 37.5% and Cheshire East (CE) the remaining 37.5%. The business is managed by a Board of 18 members, 3 of which are nominated representatives of this Council (3 elected members) and 10 Independents, who include partner agencies whose representatives cannot take up the position of company Director. During the year, due the restructuring and financial difficulties being experienced by the company a number of Board positions have remained vacant, including one of the Council’s three nominated posts.

The gross turnover of the company in 2010-11 was £11.2m, which included £4.3m of grant and other funding from Cheshire West & Chester Council. During 2010-11, following reductions in grant from the Government, reductions in funding to Connexions of £0.9m were made, alongside similar reductions made by both CE and WBC. The company responded by restructuring the business, resulting in reductions in the workforce. The contract between the three Councils and Connexions for the provision of services has been extended through to 31 March 2012.

Based on the Statement of Recommended Practice on Group Accounts, the company is considered to be an associate of the Council, which would normally require the completion of a set of group accounts. However, the Council has not produced group accounts as both the monetary amounts involved and the Council’s exposure to risk are not considered to be material.

Chester Renaissance Ltd
Cheshire West & Chester Council has an interest in Chester Renaissance Ltd. The transactions of this company are not deemed to be material in 2009-10.

Cheshire West & Chester Council has not produced group accounts as both the monetary amounts involved and the Council’s exposure to risk are not considered to be material.

51. Pan Cheshire Shared Services

The Council operates a significant number of services in Partnership with Cheshire East Borough Council. The table below sets out the total costs processed by each Council in providing these services and the degree to which those costs fell to each Council after they were re-apportioned in line with each Councils usage of the services:

Service	2010-11 Actual Outturn East £000	2010-11 Actual Outturn West £000	Total £000	Share of Total Cost East £000	Share of Total Cost West £000
Hosted West					
HR & Finance	1,168	1,874	3,042	1,521	1,521
ICT	-1,368	11,724	10,356	4,923	5,433
Civil Protection	125	253	378	189	189
Occupational Health	45	47	92	46	46
Archives	206	328	534	267	267
Libraries	262	714	976	488	488
Emergency Duty Team	382	425	807	420	387
Rural Touring Network	-	22	22	16	6
Approved Mental Health Professional	23	-23	-	-	-
Autism Support	122	208	330	174	156
Sensory Impaired Services	54	56	110	57	53
Urban Traffic Control	347	485	832	366	466
Integrated Transport Services	15,179	16,121	31,300	15,179	16,121
Student Finance	62	92	154	77	77
CBS Supplies	672	-160	512	256	256
Highway Maintenance Contract	86	44	130	70	60
Hosted East					
Farms Estates	-662	81	-581	-300	-281
International Unit	32	-	32	16	16
Youth Offending Team	28	1,058	1,086	510	576
Total Costs	**16,763**	**33,349**	**50,112**	**24,275**	**25,837**

The costs of Pan Cheshire Shared Services relating to Cheshire West & Chester Council are contained in the Comprehensive Income and Expenditure Statement. The costs shown below are analysed by BVACOP:

Cheshire Shared Services Costs – BVACOP analysis	2010-11 £000	2009-10 £000
Children's & Education Services	4,522	4,032
Adult Social Care & Health	1,023	765
Central services to the public	262	42
Cultural, Environmental & Planning Services	1,717	1,373
Highways, Roads & Transport Services	17,290	22,600
Council Housing (HRA)	148	-
Housing services	875	-
Total	**25,837**	**28,812**

The activities are overseen by a Joint Committee which ensures effective delivery of such services and provides strategic direction. The Joint Operating Board supports the Joint Committee and is responsible for the governance and decision making of Cheshire Shared Services, is jointly chaired by Julie Gill, Director of Resources, Cheshire West & Chester Council and Lisa Quinn, Borough Treasurer and Head of Assets, Cheshire East Council.

Business Plans and Service Delivery Statements have been developed for each Shared Service. The documents vary depending on the complexity of the service to be provided and on the length of the arrangement. Currently, nine of the Shared Services are envisaged to continue to operate for the longer term, while the remaining services are transitional, with differing planned end dates according to the operational needs and strategic objectives of both Councils. The Service Delivery Statements are legal documents and detail the services to be hosted by Cheshire East Council and Cheshire West & Chester Council, the scope, agreed objectives and expected outcomes of the shared service arrangements. The roles and responsibilities of staff seconded to the host authority are contained within these statements.

Service Level Agreements' (SLAs) have been prepared for all services and form part of the legal agreement between Cheshire West & Chester Council and Cheshire East Council. These set out the basis for services to be provided, identify which council is hosting the service, the percentage of costs to be borne by each council and the general reporting and performance management requirements.

52. Prior Period Adjustments

Prior period adjustments arise as a result of changes in accounting policies or to correct a material error. Material errors and accounting policy changes are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

A prior period adjustment has been made to reflect the changes that have been made to the net pension liability and the pension reserve. These changes have arisen from a revised actuarial split of pension liability relating to the former County Council, which has now been split between Cheshire West and Chester and Cheshire East Councils, based purely on taxbase.

The tables below show the adjustments that have been made to both opening balances and in year transactions for 2009-10. In total these adjustments have the effect of reducing the net pension liability for Cheshire West and Chester by £6m.

Opening Balance Sheet Adjustment - 1st April 2009

	2009-10 1 Apr IFRS Restated £000	Adjustment £000	2009-10 1 Apr Restated £000
Net Pension Liability	-299,964	4,368	-295,596
Pension Reserve	299,964	-4,368	295,596

Comprehensive Income and Expenditure Statement – 2009-10

	2009-10 1 Apr IFRS Restated £000	Adjustment £000	2009-10 1 Apr Restated £000
Financing and Investment Income and Expenditure			
Pension Interest Cost and Expected Return on Pension Assets	23,412	-275	23,137
Other Comprehensive Income and Expenditure			
Actuarial Gains/Losses on Pension Assets/Liabilities	291,498	-1,309	290,189

Corresponding debits were also made against the pension net liability on the balance sheet. As the credits made in the Comprehensive Income and Expenditure Statement are not chargeable against Council Tax, these amounts have been reversed out via the Movement in Reserves Statement and transferred to the Pension Reserve.

Closing Balance Sheet Adjustments

	2009-10 31 Mar IFRS Restated £000	Opening Balance Sheet Adjustment £000	In Year Adjustment £000	2009-10 31 Mar Restated £000
Net Pension Liability	-603,966	4,369	1,584	-598,013
Pension Reserve	603,966	-4,369	-1,584	598,013

53. Trust Funds

During 2010-11 Cheshire West & Chester Council acted as sole trustee for eight Trust Funds. These Funds, some of which date back many years, were established for specific purposes, such as giving grants for education and training or providing community benefits, e.g. library books. The Funds, included below, do not represent assets of the Authority and so have not been included in the Authority's Balance Sheet. Assets are stated at market value.

	Income £	Expenditure £	Assets £	Liabilities £
Continuing Trust Funds:				
The Lord Mayors Charity Fund	**8,517**	**6,252**	**11,692**	**-**
The Lady Mayoress Holiday Fund for Children	**7,736**	**5,120**	**80,204**	**-**
Castle Park Trust Fund The building and park land were given to the former Runcorn Rural District Council in 1933 to hold on trust for the public benefit of the area	**87,374**	**68,506**	**522,764**	**1,859**
Johnston recreation ground Held for the general benefit of the residents of Willaston	**-**	**-**	**986**	**-**
Little Sutton Reading and Recreation Ro Held for the general benefit of the residents of Little Sutton	**-**	**-**	**2,479**	**-**
Fred Venables Literary Trust Established in 1998 to provide annual book prizes to young people attending secondary schools	**-**	**-**	**12,099**	**-**
Reg Chrimes trust for the Arts Established in 1999 for the promotion and development of the arts in the borough	**-**	**-**	**13,425**	**-**
Ellesmere Port Charter Trust Established to continue the Mayoral Function in the borough of Ellesmere Port & Neston	**34,062**	**82,766**	**49,545**	**-**

Supplementary Financial Statements – Housing Revenue Account

	2010-11		2009-10
	£000	£000	£000
Expenditure			
Repairs and Maintenance	5,332		4,353
Supervision & Management	3,155		2,910
Special Services	936		647
Rents, rates,taxes and other charges	128		64
Negative HRA Subsidy payable	4,152		3,775
Depreciation and impairment of non-current assets	59,000		3,806
Debt Management costs	3		0
Movement in the allowance for bad debts	122		117
Total Expenditure		**72,828**	**15,672**
Income			
Dwelling Rents	-16,546		-15,974
Non-dwelling rents	-429		-433
Charges for services and facilities	-261		-245
Supplementary contributions towards expenditure	-322		-288
Total Income		**-17,558**	**-16,940**
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		55,270	-1,268
HRA services' share of Corporate and Democratic Core		61	61
Net Income/Expenditure for HRA Services		55,331	-1,207
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
(Gain) or Loss on sale of HRA Non-current assets		-87	-99
Interest payable and similar charges		221	275
Interest and Investment Income		-10	-22
Pensions interest cost and expected return on pension assets		393	551
(Surplus) or deficit for the year on HRA		**55,848**	**-502**

Note:

(i) Housing Subsidy - The Local Government Act 2003 made a requirement for authorities with an overall negative subsidy entitlement to pay the amount of negative subsidy to the government. Negative subsidy occurs when income exceeds expenditure in the notional HRA.

Movement on the Housing Revenue Account Statement 2010-11

	2010-11		2009-10
	£000	£000	£000
Balance of HRA at the end of the previous year		-1318	-1588
(Surplus) or Deficit on the HRA Income and Expenditure Account	55,848		-502
Adjustments between accounting basis and funding under statute	-55,215		772
Net (increase) or decrease before transfers to reserves	633		270
Transfer to (from) reserves	0		
(Increase) or decrease on the HRA		633	270
Balance on the HRA at the end of the year		**-685**	**-1,318**

Adjustments between accounting basis and funding under statute

	2010-11		2009-10
	£000	£000	£000
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute		172	205
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements			
(Gain) or loss on the sale on non current HRA assets			
- Sale proceeds	299		
- Carrying amount of assets	-205		
- Disposal costs to be met from capital receipts	-7	87	99
HRA share of contributions to or from the Pension Reserve		-373	-210
Removal of accumulated benefit accrual		44	-17
Capital Expenditure funded by the HRA		330	695
Transfer from the Major Repairs Reserve		3,525	3,512
Transfer to the Capital Adjustment Account		-59,000	-3,512
		- 55,215	772

Notes to the Housing Revenue Account

1. The number and types of dwellings and garages in the Housing Stock at 31 March 2011

Description	2010-11	2009-10
	No.	No.
Houses	3,145	3,149
Flats	1,758	1,760
Bungalows	641	641
Maisonettes	93	95
Total Dwellings	**5,637**	**5,645**
Garages	**1,625**	**1,640**

2. Housing Stock Valuations at 31 March

Description	2010-11 £000	2009-10 £000
Non-Current Assets – Property Plant and Equipment		
Dwellings	133,556	189,610
Garages	1,148	1,947
Equipment	713	1,016
Total	**135,417**	**192,573**

3. Vacant Possession Value of Dwellings at 31 March

Description	2010-11 £000	2009-10 £000
Market value - Vacant possession	383,626	396,743
Existing use value for social housing	134,269	190,436
Difference	**249,357**	**206,307**

The ‘difference’ between market value and the Balance Sheet value for dwellings represents the economic cost to the Government of providing council housing at less than open market rents. The vacant property adjustment factor for NW England is 35% for 2010-11. This reduction from the 2009-10 value (48%) has also reduced the carrying value of the assets. The change in adjustment factors is mainly due to accurately reflect the additional risk and liability the public sector landlords undertake when compared with private sector investors.

4. Major Repairs Reserve for the year ending 31 March

Description	2010-11 £000	2009-10 £000
Balance brought forward	-	-837
Transfer to Reserve	-3,525	-3,513
Less capital expenditure financed from Reserve	3,525	4,350
Balance Carried Forward	**-**	**-**

5. Housing Repairs Expenditure for the year ending 31 March

Description	2010-11 £000	2009-10 £000
Housing repairs	4,943	3,656
Administration	389	697
Total	**5,332**	**4,353**

6. Capital Expenditure in the year ending 31 March

Description	2010-11 £000	2009-10 £000
Operational assets		
- Dwellings	3,994	5,665
- Other land and buildings	-	
Total	**3,994**	**5,665**
Funded by:		
Supported capital expenditure	-137	-275
Usable capital receipts, grants & contributions	-	-345
Contributions from Revenue	-332	-695
Major Repairs Reserve	-3,525	-4,350
Total Funding	**-3,994**	**-5,665**

7. Capital Receipts from Disposal of Assets in the year ending 31 March

Description	2010-11 £000	2009-10 £000
Disposal of dwellings	299	257
Total from disposals	**299**	**257**

8. Depreciation in the year ending 31 March

Description	**2010-11 £000**	**2009-10 £000**
Property Plant and Equipment	3,525	3,806
Total	**3,525**	**3,806**

The Major Repairs Allowance, which is funded through Housing Subsidy, is accepted to be a reasonable estimate of depreciation for council dwellings within the Housing Revenue Account.

9. Housing Subsidy for the year ending 31 March

Description	**2010-11 £000**	**2009-11 £000**
Expenditure		
Management allowance	2,955	2,841
Maintenance allowance	5,586	5,507
Major repairs allowance	3,525	3,525
Charges for capital	956	956
Rental constraint allowance		
Total Expenditure	**13,022**	**12,867**
Less Income		
Rent income	-17,198	-16,630
Interest on receipts	-2	-3
Total Income	**-17,200**	**-16,633**
Net Subsidy	**-4,178**	**-3,766**

The difference between the net subsidy above and that shown in the Revenue Account represents the balance of income due in the following year.

10. Pension Reserve Contribution

During 2010-11, there was a contribution to the HRA from the pensions reserve of £373k (in 2009-10 there was a contribution to the reserve of £210k).

11. Rent Arrears at 31 March

Description	**2010-11 £000**	**2009-10 £000**
Current tenants	715	605
Former tenants	967	906
Total rent arrears	**1,682**	**1,511**
Benefit overpayments	-	-
Total arrears	**1,682**	**1,511**
Deduct - Provision for bad debts	-1,240	-1,118
Net arrears	**442**	**393**

Supplementary Financial Statements - Collection Fund

The Collection Fund is a statutory fund in which the Council records transactions for Council Tax, Business Rates and residual Community Charges.

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2011

	2010-11 £000	2010-11 £000	2009-10 £000	2009-10 £000
Income				
Council Tax	158,232		154,522	
Transfers from General Fund				
- Council Tax Benefits	22,283		20,909	
- Transitional relief	-13		-4	
Total Income from Council Tax		180,502		175,427
Business Ratepayers	131,479	131,479		135,271
Contributions				
- Towards previous year's Collection Fund deficit		1,299		350
- Adjustment of previous years' Community Charges		1		
Total Income		**313,281**		**311,048**
Expenditure				
Precepts and Demands from CWAC, Police and Fire (Note 4)		179,926		175,228
Business Rate				
- Payment to National Pool (Note 2)	130,974		134,758	
- Cost of Collection	505		513	
		131,479		135,271
Provision for Bad Debts/Appeals				
- Write offs	511		362	
- Provisions	253		185	
		764		547
Contributions				
- Adjustment of previous years' Community Charges		1		
Total Expenditure		**312,170**		**311,046**
Surplus/(Deficit) for year		1,111		2
Balance on Fund Brought Forward		-1,648		-1,650
Balance on Fund Carried Forward		-537		-1,648

1. General

These accounts represent the transactions of the Collection Fund. This is a statutory fund consolidated with the other accounts of the authority in the Statement of Accounts. The accounts have been prepared on an accruals basis. This means that spending and income have been included when they were incurred rather than when they were paid.

2. Non-Domestic Rates

Non-domestic rates are organised on a national basis. The Government specifies a multiplier, which was 41.4p in the pound for 2010-11 (2009-10 48.5p). Local businesses pay rates calculated by multiplying their rateable value by that amount. There is also a small business multiplier, which was 40.7p in the pound for 2010-11 (2009-10 48.1p).

The Council are responsible for collecting rates within our area. However, the Council pays the proceeds into the non-domestic rates pool. This pool is administered by the Government. Sums paid into the pool are redistributed amongst local authorities as a fixed amount per head of population. Our entitlement from the pool is paid direct into the General Fund.

The amount the Council must pay to the Pool is as follows:

	2010-11 £000	2009-10 £000
NDR Bills Issued (Less Voids, Transitional Relief and Interest on Refunds)	133,202*	137,461
Discretionary Relief and Remissions	-898	-961
Debts written off or provided for (net)	-1,362	-1,779
General Fund contribution to Reliefs and Remissions	537	550
Net NDR Income	131,479	135,271
Cost of Collection Allowance payable to General Fund	-505	-513
Payable to NDR Pool	130,974	134,758

The total non-domestic rateable value at 31 March 2011 was £376,379,893

*Note: Figure includes £334,000 deferrals repayable from 2009-10

3. Council Tax

The gross Council Tax base was 121,096 Band D Equivalent properties at the time of setting the tax for 2010-11 (2009-10 120,994). This was made up as follows:

Band 2010-11	Number 2010-11	Band D Equivalent 2010-11	Income in a full year 2010-11 £000	Band D Equivalent 2009-10
A	31,866	17,525	26,039	17,576
B	34,661	22,891	34,012	22,927
C	28,881	22,397	33,278	22,478
D	19,537	17,733	26,348	17,452
E	15,006	16,696	24,807	16,657
F	8,753	11,717	17,409	11,810
G	7,135	11,060	16,433	11,074
H	538	924	1,373	908
	146,377	120,943	179,699	120,882
Ministry Of Defence Properties		153	227	112
		121,096	179,926	120,994

4. Precepts and Demands

	2010-11 £000	2009-10 £000
Cheshire West & Chester Council	151,926	148,101
Cheshire Police Authority	17,502	17,024
Cheshire Fire Authority	8,044	7,808
Town & Parish Councils	2,454	2,295
Total Precept and Demand	**179,926**	**175,228**

5. Contribution to Collection Fund Deficit and Distribution of Collection Fund Surplus

The deficit of £0.5m on the Collection Fund relates to Council Tax. The deficit will be distributed between Cheshire West & Chester Council, Cheshire Police Authority and Cheshire Fire & Rescue Service. The amounts attributable to each Authority are shown in the table below and will be in proportion to their respective precepts.

	CWAC £000	Police £000	Fire £000	Total £000
Council Tax	460	53	24	537

Cheshire Pension Fund

Introduction

Cheshire West & Chester Council (The Council) are the Administering Authority for the Cheshire Pension Fund (the Fund).

The Council administers the Fund for its own employees, for Cheshire East, Warrington and Halton Borough Unitary Authorities and 90 other approved bodies who had active members as at 31 March 2011. The Fund excludes provision for teachers, fire fighters and police officers for whom separate arrangements exist. A full list of the employers with active members participating in the Fund is shown at the end of the Fund's Statement of Accounts.

Responsibility for managing the Fund lies with the full Council of Cheshire West & Chester Council with lead officer responsibility delegated to the Director of Resources. Day to day management of the Fund's affairs has been delegated to the Head of Finance advised, with regard to investment matters, by the Pension Fund Committee and external advice from Hymans Robertson.

Matters relating to benefit administration are largely governed by the Local Government Pension Scheme regulations. In relation to investments the Council sets the overall investment strategy for the Fund which takes into account the Fund's pension liabilities and the prospects for future investment returns. To manage the Fund's assets in accordance with the agreed investment strategy, the Council has appointed thirteen external investment managers who each have specific responsibility for part of the Fund's investment portfolio.

The Council uses the services of BNY Mellon Asset Servicing to independently monitor the performance of the investment strategy and the contributions of individual managers. Performance is monitored against the Fund's tailored asset allocation benchmark rather than to a peer group benchmark.

BNY Mellon Asset Servicing's report for the year ended 31 March 2011 shows that the Fund achieved a return from its investments of +9.2% (+36.8% in 2009-10) compared with the Fund's tailored benchmark return of +6.8% (+30.9% in 2009-10). The Fund's target return is to outperform its benchmark by +0.75% over a rolling three year period. For the three years ended 31 March 2011 the Fund achieved a return of +5.5% per annum (+1.2% 2009-10) against the Fund's benchmark return of +5.2% per annum (+1.8% 2009-10)

Membership of the Fund at 31 March 2010 is summarised below:

	March 2011	March 2010
Contributors	**31,297**	**31,687**
Pensioners	**21,563**	**20,642**
Deferred	**20,148**	**18,566**
	73,008	**70,895**

The Administering Authority also produces a separate Annual Report for the Cheshire Pension Fund giving more detailed information on the management of the Fund's business, including its accounts for the year to March 2011. A copy of this report can be obtained from the Pensions Section, Cheshire West & Chester Council, HQ, 58 Nicholas Street, Chester, CH1 2NP or from the Fund's website at www.cheshirepensionfund.org

Cheshire Pension Fund - Fund Account
for the year ended 31 March 2011

	Notes	2010-11	2009-10
Contributions and Benefits		**£000**	**£000**
Contributions Receivable			
From Employers	1	114,031	158,103
From Employees		36,066	36,478
Total Contributions Receivable	2	150,097	194,581
Transfers in from Other Schemes		15,415	18,031
Benefits Payable			
Pensions		-103,625	-96,175
Lump Sums		-23,178	-56,000
Death Benefits		-3,004	-2,554
Total Benefits Payable	3	-129,807	-154,729
Payments to and on account of Leavers			
Refund of Contributions		-26	-19
Transfers to Other Schemes	4	-10,408	-15,825
		-10,434	-15,844
Administration Expenses	5	-1,934	-1,893
Net Additions		23,337	40,146
Returns on Investments			
Investment Income	6	46,862	50,746
Profits and losses on disposal of investments and changes in value of investments	7	225,918	639,016
Taxes on Income	8	-690	-663
Investment Management Expenses	9	-10,181	-6,044
Net Returns On Investments		261,909	683,055
Net Additions from Dealings with Members		23,337	40,146
Net Increase/ (Decrease) in the Fund During the Year		254,414	723,201
Opening Net Assets of the Scheme		2,578,471	1,855,270
Closing Net Assets of the Scheme		**2,832,885**	**2,578,471**

Cheshire Pension Fund - Net Assets Statement
as at 31 March 2011

	Notes	2010-11 £000	2009-10 £000
Fixed Interest Securities		0	0
Equities	10	856,227	1,100,185
Pooled Investment Vehicles	11	1,294,587	918,437
Derivative Contracts	13	2,115	1,611
Direct Property	14	161,892	105,355
Private Equity	15	176,850	143,359
Global Tactical Asset Allocation	16	65,953	54,021
Secured Loans	17	164,922	151,424
Loans	18	13,378	0
		2,735,924	2,474,392
Cash	19	63,403	56,001
		2,799,327	2,530,393
Outstanding dividend entitlements and recoverable withholding tax		4,385	4,756
	20	2,803,712	2,535,149
Investment Liabilities			
Derivative Contracts	13	-8,504	-234
Total Net Investments		2,795,208	2,534,915
Current Assets			
Cash at Bank		819	4,753
Debtors	21	47,262	57,556
Payments In Advance		0	492
Current Liabilities			
Creditors	22	-8,189	-17,893
Receipts In Advance		-2,215	-1,352
Net Current Assets		37,677	43,556
Add Total Net Investments		2,795,209	2,534,915
Total Net Assets		**2,832,885**	**2,578,471**

Cheshire Pension Fund - Statement of Accounting Policies

From 2010-11 Pension Fund accounts have to be prepared under an IFRS based Code of Practice on Local Authority Accounting. The implementation of IFRS represents a series of changes in the production of the accounts, the accounting treatment within the accounts and the reporting regime. The aim of the introduction of IFRS to the public sector is to:

- Bring benefits of improved and consistent management information reporting;
- Allow for better transparency and comparability for financial reporting across the global economy; and
- Follow private sector best practice.

The changes to the Pension Fund accounts are summarised as follows:

Statement of Account

Change Required	2009-10	2010-11
Narrative Change to headings in SoA	Change in Market Value	Profits and losses on disposal of investments and changes in value of investments
Narrative Change to headings in SoA	Taxation	Taxes on Income

The Debtors and Creditors have also been re-categorised therefore the 2009-10 figures have been re-stated.

The financial statements summarise the transactions of the Scheme and deal with net assets at the disposal of the Fund. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the statement in Note 34 below and these financial statements should be read in conjunction with that note.

Basis of Preparation
Except where otherwise stated, the accounts have been prepared on an accruals basis, that is, income and expenditure is recognised as it is earned or incurred not as it is received or paid.

Investments
Investments are shown in the accounts at fair value, which has been determined as follows: -

(i) Listed securities are shown by reference to bid market prices at close of business on 31 March 2011.
(ii) Pooled investment vehicles are stated at the bid point of the latest prices quoted by their respective managers or Fund administrators at 31 March 2011. Where a

bid price is not available the assets are priced at the Net Asset Value or single price provided.

(iii) Investments held in foreign currencies are shown at local fair value translated into the equivalent sterling rate prevailing at close of business on 31 March 2011.

(iv) Properties are included on the basis of their open fair value. The property portfolio was independently valued by Colliers CRE, Chartered Surveyors at 31 March 2011 in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards.

(v) Indirect private equity investments are interests in limited partnerships which are valued based on the Fund's share of the net assets of the limited partnership according to the latest financial statements published by the respective managers in accordance with FAS 157: Fair Value Measurements. Where these valuations are not the Fund's balance sheet date, the valuations have been adjusted having due regard to latest dealings, asset values and other appropriate financial information at the time of preparing these statements, in order to reflect our balance sheet date.

(vi) Future contracts have been valued at the exchange price for closing out the contract at the year end date and this represents the unrealised profit or loss of the contract.

(vii) Forward foreign exchange contracts are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at year end with an equal and opposite contract.

(viii) The Fund's investments in Global Tactical Allocation and Secured Loans are valued at their Net Asset Value by the respective managers' administrators as at 31 March 2011.

Contributions

Contributions represent amounts receivable from employers in respect of their own and their pensionable employees' contributions. Employer contributions are determined by the Scheme Actuary at each triennial valuation of the Fund's assets and liabilities. Employee contribution rates are set in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. Contributions are recorded on an accruals basis in relation to when they were deducted from earnings.

Benefits and Refunds of Contribution

Benefits payable, lump sums and refunds of contributions have been brought into the accounts on an accruals basis with reference to the date payment is due as governed by the Local Government Pension Scheme (Administration) Regulations 2008.

Transfer Values

Transfer values are sums paid between pension schemes and relate to the value of previous pension scheme membership. Transfers into and out of the fund are recognised on a cash received or paid basis.

Investment Income

Income from fixed interest and index linked securities and other interest receivable is accounted for on an accruals basis. Income from all equities is accounted for when the stocks are quoted ex-dividend. Rental income is accounted for on an accruals basis with reference to the periods to which the rent relates.

Foreign Investment Income

Foreign income has been translated into sterling at the date of the transaction. Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.

Investment Management Expenses

Each individual manager receives a fee based on the fair value of the assets they manage. Certain managers also receive a performance related fee (over and above a base fee) for achieving agreed levels of out performance. Where the Fund pays the manager fees directly from the Fund's own resources such fees are shown as Investment Management Expenses in the fund account and are accounted for on an accruals basis.

Where, as part of the Investment Management Agreement the manager deducts their fee directly from funds under management by netting off their fee from the Gross Asset Value, such fees are accounted for on an accruals basis in the revenue account as Investment Management Expenses and are reflected in the balance sheet by reduced closing Net Asset Value.

Cheshire Pension Fund - Notes to the Accounts

1. Employer Contributions Receivable

	2010-11	2009-10
	£000	£000
Normal Contributions	**81,706**	83,593
*Deficit Funding	**24,512**	25,078
Augmentation Contributions	**7,813**	49,432
Total	**114,031**	**158,103**

* Employer Normal Contributions may include an element towards reducing any deficit in the scheme's funding position. At the latest triennial valuation (31 March 2007) the Actuary calculated a common employer contribution rate of 19.5%, of which 4.5% targeted recovering the funding deficit with 15% towards future service costs. It is estimated that employers contributed a notional £24.5m in 2010-11 towards deficit funding.

Augmentation Contributions include those payable by Employers to provide new benefits or to augment benefits for specific members. They also include contributions relating to Employers meeting the capitalised costs of discretionary early retirements. The Fund recharges the Employers for such costs and the income received is made up of both one-off lump sum payments and instalments. In previous years the income was recognised at the time of receipt (i.e. it was spread over 5 years). The accounts were amended in 2009-10 to recognise the full cost due from early retirement contributions from employers who have the option of paying over five years. Therefore, the contributions for 2009-10 were artificially higher than previous years. Reductions in employee numbers have also contributed to the reduction in contributions received.

2. Analysis of Contributions Receivable

	2010-11		2009-10	
	Employers	**Employees**	Employers	Employees
	£000	**£000**	£000	£000
Cheshire West & Chester Council	**29,276**	**9,032**	48,997	9,143
Scheme Employers	**73,831**	**24,147**	99,480	24,324
Other Admitted Bodies	**10,924**	**2,887**	9,626	3,011
Total	**114,031**	**36,066**	**158,103**	**36,478**

3. Benefits Payable

	2010-11	2009-10
	£000	£000
Cheshire West & Chester Council	**36,690**	52,550
Scheme Employers	**81,130**	91,673
Other Admitted Bodies	**11,987**	10,506
Total	**129,807**	**154,729**

4. Transfers to Other Schemes

The Transfers to Other Schemes figure represents the cash payments from the Fund in relation to individual scheme members' transfers of benefits in line with the Fund's accounting policy.

5. Administration Expenses

The costs incurred by the Council in administering the Fund, as declared annually to Communities and Local Government totalled £1.939m for the year ended 31 March 2011. A breakdown of the significant items is shown below.

	2010-11	2009-10
	£000	£000
Direct Staffing	**1,183**	1,126
IT	**91**	140
Senior Management Support	**115**	107
Legal Fees	**27**	26
External Audit Fees	**48**	71
Actuarial Fees	**159**	123
Printing & Postage	**34**	33
Other Supplies and Services	**283**	272
Income	**-6**	-5
Total	**1,934**	**1,893**

6. Investment Income

	2010-11	2009-10
	£000	£000
Income from Fixed Interest Securities	**9,061**	13,796
Dividends from Equities	**25,968**	25,935
Income from Index Linked Securities		
Income from Pooled Investment Vehicles:		
Property	**1,631**	758
Other	**321**	917
Net Rents from Properties	**9,313**	9,135
Stock Lending	**337**	49
Interest from Cash Deposits	**177**	19
Other	**54**	137
	46,862	**50,746**

7. Change In Fair value

	Fair Value at 31.03.2010	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	**Fair Value at 31.03.2011**
	£000	£000	£000	£000	**£000**
Fixed Interest Securities	0	0	0	0	**0**
Equities	1,100,185	518,281	874,241	112,002	856,227
Pooled Investment Vehicles	918,437	551,855	221,370	45,665	1,294,587
Derivative Contracts	1,611	11,423	12,446	1,527	2,115
Direct Property	105,355	62,410	0	-5,873	161,892
Private Equity	143,359	26,857	11,528	18,162	176,850
Global Tactical Asset Allocation	54,021	0	0	11,932	65,953
Secured Loans	151,424	2,980	0	10,518	164,922
Loans	0	13,180	0	198	13,378
	2,474,392	**1,186,986**	**1,119,585**	**194,131**	**2,735,924**
Cash	56,001		24,384	31,787	63,403
	2,530,393	1,186,986	1,112,125	194,073	2,799,327
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	4,756				4,385
	2,535,149				**2,803,712**

The change in fair value of investments during the year comprises all increases and decreases in the fair value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other costs and amounted to £4m for the year. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme. It is not practical to obtain or estimate the transaction costs incurred in 2010-11.

8. Taxation

The Fund is exempt from UK income tax on interest and from capital gains tax on the profits resulting from the sale of investments. The Fund is exempt from United States withholding tax on dividends and can recover all or part of the withholding tax deducted in some other countries. The amount of withholding tax deducted from overseas dividends which the Fund is unable to reclaim amounts to £690K and is shown as a tax charge.

As Cheshire West & Chester Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment and property expenses.

9. Investment Management Expenses

Investment management expenses include both those paid directly to the investment manager by the Administering authority, and where the manager deducts their fee directly from funds under management by netting off their fee from the Gross Asset Value. All investment management fees are accounted for on an accruals basis.

10. Equities

	2010-11	2009-10
	£000	£000
UK Quoted	**72,028**	462,885
Overseas Quoted	**784,199**	637,300
Total	**856,227**	**1,100,185**

11. Managed Funds, Open Ended Investment Companies & Unit Trusts	**2010-11**	2009-10
	£000	£000
UK Equity Listed	**612,736**	208,253
UK Equity Unlisted	**26**	60
UK Property	**3,172**	3,158
Fixed Income – Multi Strategy	**400,394**	379,824
Overseas Equity Listed	**264,243**	311,455
Overseas Property	**14,016**	15,687
Total	**1,294,587**	**918,437**

12. Fixed Income Multi Strategy

The Fund has invested in three pooled fixed income investment vehicles managed separately by Goldman Sachs, Henderson and Baillie Gifford. The underlying assets of these pooled vehicles are invested by the managers in diversified portfolios of a wide range of fixed income assets including Government Bonds (UK and Overseas), Corporate Bonds, High Yield Bonds, Emerging Market Bonds, Asset and Mortgage Backed Securities, Secured Loans and currency. The managers may use derivative instruments to manage risk and to express their investment convictions.

13. Derivative Contracts	**Asset 2010-11 £000**	**Liability 2010-11 £000**	**Asset 2009-10 £000**	**Liability 2009-10 £000**
Equity Futures Contracts	**419**	**476**	334	144
Forward Foreign Exchange Contracts	**1,696**	**8,028**	1,277	90
	2,115	**8,504**	**1,611**	**234**

Equity Futures Contracts:

Country	**Exchange**	**Expiration**	**Economic Exposure Value £'000**	**Asset £'000**	**Liability £'000**
UK	FTSE 100	Less than 1 Year	-412		16
Netherlands	Amsterdam	Less than 1 Year	-64		3
France	CAC 40 Euro	Less than 1 Year	-212		10
Germany	DAX	Less than 1 Year	470	25	
Italy	FTSE/MIB	Less than 1 Year	4,348	47	
Spain	IBEX 35	Less than 1 Year	-94		2
Sweden	OMXS30	Less than 1 Year	-55		4
Switzerland	Swiss MKT	Less than 1 Year	-1,878		67
Tokyo	Nikkei 225	Less than 1 Year	3,583	309	
USA	S&P 500 Emini	Less than 1 Year	-2,802		91
Japan	TOPIX	Less than 1 Year	1,760		146
Singapore	MSCI Singapoore	Less than 1 Year	1,780	38	
Australia	SPI 200	Less than 1 Year	-2,746		137
			3,678	**419**	**476**

Forward Foreign Exchange Contracts:

Number of Contracts	**Trade Type**	**Expiration**	**Asset £'000**	**Liability £'000**
25	Over the counter	Less than 1 year	1,696	8,028
Total Derivatives			**2,115**	**8,504**

The Fund uses exchange traded index futures contracts for hedging purposes, direct investing as a means of creating equity exposure and for managing risk by implementing shifts in investment exposure. Forward currency contracts are used to hedge the risks associated with the foreign currencies represented by the securities held, or to adjust the foreign currency exposure of the Fund.

14. Property	**2010-11**	2009-10
	£000	£000
Freehold	**142,267**	84,510
Heritable	**11,625**	12,535
Leasehold	**8,000**	8,310
Total	**161,892**	**105,355**

15. Private Equity

	Number of Funds	2010-11	2009-10
		£000	£000
Adam Street Partners	16	**89,817**	75,745
Pantheon Ventures	7	**79,131**	60,939
Lexington	1	**7,902**	6,675
Total		**176,850**	**143,359**

16. Global Tactical Asset Allocation

The Fund has invested in a Global Tactical Asset Allocation vehicle managed by BNY Mellon Asset Management. This strategy attempts to add value through asset allocation between local equity and bond markets, country selection across individual national equity and bond markets and also through active currency management. The strategies are implemented through the use of derivatives, such as (but not restricted to) equity and bond futures, options and currency forward contracts.

17. Secured Loans

The Fund has invested in two Secured Loan vehicles managed by European Credit Management and M&G. Secured loans are senior loans, typically raised to finance internal growth, acquisitions, mergers and leveraged buy-outs. They are senior loans in that they have a priority claim over specific assets of the company if it fails to meet its debt obligations.

18. Loans

The Fund has committed £50m to the M&G UK Financing Fund which is a limited partnership who's investment objective is to take advantage of difficulties in the UK banking sector and lend monies to UK companies FTSE350 companies through senior debt and equity linked instruments. As at the 31st March £13.3m of this commitment had been drawn down.

19. Cash

	2010-11	2009-10
	£000	£000
Cash Deposits	**14,801**	16,851
Cash Instruments	**48,602**	41,978
Cash Backing Futures	**0**	-2,828
	63,403	**56,001**

20. Investment by Fund Manager

	2010-11	2009-10
	£000	£000
Legal & General	**871,330**	439,495
Baillie Gifford & Co	**620,045**	795,936
GMO	**340,916**	314,577
Rockspring	**179,918**	124,726
Goldman Sachs	**162,294**	154,402
Henderson	**160,347**	152,793
M&G	**93,888**	75,114
Adams Street Partners	**89,816**	75,745
European Credit Management (ECM)	**85,445**	77,225
Pantheon Ventures	**79,465**	60,939
BNY Mellon Asset Management	**65,953**	54,021
Standard Life (Money Market)	**41,598**	23,498
Lexington Capital Partners	**7,902**	6,675
PSR	**2,535**	0
BNY Mellon New York	**1,236**	45
Fidelity (Money Market)	**963**	6,001
Standard Life (Money Market)	**35**	173,897
HG Capital	**26**	60
Total	**2,803,712**	**2,535,149**

21. Debtors	**2010-11**	2009-10 Re-stated
	£000	£000
Rental Income	**544**	392
Due from Cheshire West & Chester Council	**15,614**	18,244
Due from Other Local Authorities	**24,854**	29,789
Due from Bodies External to General Government	**6,154**	6,236
Other Debtors	**159**	2,952
Less Provision for Doubtful Debt	**-63**	-57
	47,262	**57,556**

The CIPFA Code of Practice has introduced new categories for Debtors, therefore the 2009-10 figures have been restated.

The Pension Fund has long term debtors for early retirement contributions from employers who have the option of paying over five years and the settlement from Magistrates Courts of £2.351m which is being paid in equal instalments over the next 10 years. Both have been included at present value.

22. Creditors

	2010-11	2009-10
	£000	£000
Investment Manager Expenses	**2,433**	1,186
Pension Benefits Payable	**564**	5,904
Due to Cheshire West & Chester Council	**4,655**	9,192
Other Creditors	**537**	1,611
	8,189	**17,893**

23. Statement of Investment Principles
The Fund's Statement of Investment Principles (SIP) sets out the Fund's investment objectives and investment management arrangements. A full copy of the SIP can be obtained from the Pensions Section, Cheshire West & Chester Council, HQ, Nicholas Street, Chester, CH1 2NP or from the Fund's website at: www.cheshirepensionfund.org

24. Funding Strategy Statement
Under the LGPS (Administration) Regulations 2008 administering authorities are required to prepare a Funding Strategy Statement (FSS).The key requirements relating to the FSS in the regulations are that;

- After consultation with all relevant interested parties involved with the Fund, the administering authority will prepare and publish their funding strategy.
- In preparing the FSS, the administering authority must have regard to:
    - FSS guidance produced by CIPFA
    - its Statement of Investment Principles published under Regulation 9A of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended).
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.
- The Fund's actuary must have regard to the FSS as part of the fund valuation process.

Fund members' accrued benefits are guaranteed by statute. Members' contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members (net of returns from the Fund's investments). The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

The Funding Strategy Statement for the Cheshire Pension Fund can be obtained from the Pensions Section, Cheshire West & Chester Council, HQ, Nicholas Street, Chester, CH1 2NP or from the Fund's website at: www.cheshirepensionfund.org

25. Trustee Fees
As the Cheshire Pension Fund forms part of the LGPS it does not strictly have trustees. The members of the Pension Fund Committee do not receive any fees in relation to their specific responsibilities as members of the Committee.

Since January 2004 elected members who are offered membership of the Scheme under their council's scheme of allowances have been eligible to join the Scheme. As at 31 March 2011, eight members of the Pension Fund Committee had taken this option and were members of the Scheme.

26. Related Party Transactions

The relationship between the Administering Authority and the Fund is by its very nature a close one. The majority of the Fund's cash is invested with the Fund's investment managers or directly with external financial institutions. The Fund has its own specific bank account however some of the Fund's transactions (Accounts Payable and Income) are processed through corporate systems and are paid in the first instance through the Council's corporate bank accounts. The Fund repays cash due to the Council for such transactions plus any interest charges. In 2010-11 the Pension Fund paid the Council £18K for interest accrued on these balances.

At the year end, a balance of £15.614m was due to the Fund from Cheshire West & Chester Council, primarily relating to early retirement costs and contributions which were paid in April but became due in March and a balance of £5.674m was owing to Cheshire West & Chester Council for Fund transactions processed through the Administering Authority's accounts payable and receivable systems. The Administering Authority incurred costs of £1.939m to administer the Fund in 2010-11 and this was recharged to the Pension Fund. Note 5 provides more analysis of these costs.

The Fund has not made any employer related investment at any time during the period.

27. Stock Lending

In accordance with the Local Government Pension Scheme (Management & Investment of Funds) Regulations 1998 the Cheshire Pension Fund allows its' stock to be lent provided that the total value of the securities loaned out does not exceed 25% of the total fund value. The Fund has entered into a stock lending programme managed by its custodian the Bank of New York Mellon and only accepts government and quasi government bonds as collateral against loaned stock to safeguard the Fund's assets. During the year ended 31 March the Fund earned £357K income from it's stock lending activities. At the balance sheet date the value of aggregate stock on loan was £8.84m and the value of collateral held was £9.29m.

28. Leverage

Some of the Fund's investments, including Private Equity and GTAA use leverage as a tool to achieve higher returns. Leverage can be described as exposure to changes in asset values at a ratio of greater than 1:1 in reference to the amount invested. Leverage magnifies both favourable and unfavourable movements in asset values.

29. Illiquidity of Assets

Some of the Fund's assets can be relatively illiquid. Illiquidity in this context means the Fund may not always be able to sell these assets quickly and at the desired price. This can either be because there is no secondary market for them or a lack of investors wishing to purchase them. As an investor with a long investment horizon the Fund can invest in such assets with the expectation of being rewarded with excess returns (a liquidity premium).

30. Contingent Liabilities and Contractual Commitments

The Fund has contractual commitments to the value of £304m in private equity funds. At 31 March the Fund had actually invested £188m and therefore had an outstanding commitment of £116m. As these funds are denominated in US Dollars and Euros the commitment in Sterling is subject to change due to currency fluctuations.

The Fund also has contractual commitments to the value of £50m to the UK Companies Financing Fund managed by Prudential M&G. As at 31 March 2011 £13.3m has been drawn down.

With effect from 1 April 2005 the Magistrates Courts service became part of the Civil Service. The liabilities were agreed during 2010-11 and payment of £2.351m was agreed. The £2.351m will be paid over in equal instalments over 10 years staring in 2010-11.

31. Additional Voluntary Contributions (AVCs)

The AVC providers to the members of the Fund are Clerical Medical, Standard Life and Equitable Life. The AVCs are invested separately from the Fund's main assets and used to acquire additional pension benefits and therefore are not included in the Pension Fund’s accounts. Members participating in these AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year.

A summary of the information provided by Clerical Medical, Standard Life and Equitable Life for the year to 31 March 2011 is shown below. (This summary has not been subject to audit and the Fund relies on the individual contributors to check deductions made on their behalf are accurately reflected in the statements provided by the AVC providers).

	Clerical Medical £000	**Standard Life £000**	**Equitable Life £000**	**Total £000**
Contributions received in year	320	194	6	520
Fair value at 31 Mar 2010	1,891	1,706	974	4,571
Fair value at 31 Mar 2011	1,918	1,905	879	4,702

32. Discretionary Compensatory Added Years

Some employing authorities have awarded Compensatory Added Years to members by way of a credited period in respect of a former employment under earlier Discretionary Compensation Regulations. The administering authority wrote to all employers who have awarded such payments to formerly pass a resolution to convert such credits into LGPS membership under Regulation 12B of the Local Government Pension Scheme (Miscellaneous) Regulations 2009 and all employers have confirmed their agreement. As such, the costs of these Compensatory Added Years payments can be recovered from the employer by being factored into the employers’ specific contribution rate by the actuary as part of the most recent valuation. The annual cost of these compensatory payments is £5.5m a year.

33. Post Balance Sheet Events
A review has been undertaken to identify any material post balance sheet events which would either require restatement of the 2010-11 accounts or a note to the accounts to highlight any non adjusting events.

34. Actuarial Valuation
The accounts summarise the transactions and net assets of the Fund; they do not take account of future liabilities to pay pensions and other benefits.

The Actuary carries out an actuarial valuation of the Fund’s assets and liabilities every three years. The rate of employers’ contributions payable in the year to March 2011 was determined at the 2007 valuation of the Fund. The Actuary set the common rate of employers' contribution phased from 1 April 2008 to 31 March 2011 at 19.5% of pensionable pay. This was expected to be the rate sufficient over a period of 20 years to meet 100% of existing and prospective liabilities, including pension increases. At the valuation date the valuation showed that the value of the Fund’s assets represented 85% of the Fund’s accrued liabilities.

Fund assets were valued under the projected unit method and the Actuary made the following assumptions:

- nominal investment returns on assets of 6.1% per annum
- nominal rate of future earnings increases of 4.7% (with assumptions about pay awards and promotions but excluding increments); and
- nominal rate of pension increases at 3.2% per annum

At the time of the actuarial valuation the Fund’s assets were valued at £2,385m.

The Fund has subsequently undergone a further valuation in 2010-11 as part of the triennial cycle. At 31 March 2010 the value of the Fund’s net assets had increased to £2,535m, which represented 81.1% of the Fund’s liabilities. The actuary also set a revised common rate of employer’s contributions of 22.8%. The actuary has also calculated individual contribution rates for employers which come into force in the next financial year (from 1 April 2011).

35. International Accounting Standard 26 (IAS26) Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice on Local Authority Accounting 2010-11 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

There are three options to choose from and the Cheshire Pension Fund has chosen Option C. A copy of the full actuarial calculation is appended to the Statement of Accounts.

The present value of promised retirement benefits as at 31 March 2011 is £3,516m.

Year Ended	**31 March 2011 £m**	**31 March 2010 £m**
Present Value of Promised Retirement Benefits	3,516	3,787

Employers with active members participating in the Cheshire Pension Fund 31 March 2011.

Major Scheme Employers	**Admitted Bodies**
Cheshire West & Chester Council	Adoption Matters (North West)
Cheshire East Council	Age Concern (Mid Mersey)
Cheshire Probation Trust	BAM Construct UK Ltd
Cheshire Fire and Rescue Service	Care Quality Commission
Cheshire Police Authority	Cheshire & Warrington Enterprise Commission
Halton Borough Council	Cheshire & Warrington Sports Partnership Trust Ltd
Warrington Borough Council	Cheshire & Warrington Tourism Board
	Cheshire Community Action
Other Scheme Employers Alderley Edge Parish Council	Cheshire County Sports Club
Birchwood Town Council	Cheshire Peaks and Plains Housing Trust
Bollington Parish Council	Chester District Housing Trust
Brine Leas School	Cleaning Force Office Cleaners Ltd
Congleton Town Council	CLS Care Services
Disley Parish Council	Connexions - Cheshire & Warrington
Frodsham Town Council	Creative Support
Grappenhall and Thelwall Parish Council	Dane Housing (Congleton) Ltd
Halton Borough Transport	David Lewis Centre
Knutsford Town Council	DC Leisure Management Ltd
Macclesfield College	Deafness Support Network
Mid Cheshire College	Eric Wright (EP Schools)
Middlewich Cemetery Joint Committee	First Bus (Chester)
Middlewich Town Council	FOCSA Services (UK)
Nantwich Town Council	G4S Secure Solutions Ltd
Neston Town Council Nether Alderley Parish Council	Golden Gates Housing Trust
North West Fire Control	Groundwork Merseyside
Northwich Town Council	Halton Housing Trust
Odd Rode Parish Council	I-Care GB Ltd
Ormiston Bolingbroke Academy	Innovate Ltd
Penketh Parish Council	ISS Facility Services Ltd
Poulton with Fearnhead Parish Council	King's School
Poynton Town Council	Macclesfield Museum Trust Ltd
Prestbury Parish Council	Making Space
Priestley Sixth Form College	Norton Priory Museum Trust
Reaseheath College of Agriculture	Regent Office Care Ltd Sandbach School
Riverside College	School Food Company
Sandbach High School & Sixth Form	The Dinner Ladies
Sandbach Town Council	The Waterways Trust
Seddon Property Services	Treefellers Ltd
Sir John Deane’s College	University of Chester
South Cheshire College	Vale Contract Services Ltd
South Cheshire Enterprises Ltd	Volunteer Centre Warrington
The Fallibroome Academy	Warrington Community Living
University COE Academy	Warrington Council for Voluntary Services
Valuation Tribunal Service	Warrington Housing Association
Warrington Borough Transport	Weaver Vale Housing Trust
Warrington Collegiate Institute	Wulvern Housing Trust
West Cheshire College	
Winsford E-ACT Academy	
Winsford Town Council	
Wybunbury Parish Council	

GLOSSARY OF TERMS

Accruals
The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Actuarial Gains and Losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
b) the actuarial assumptions have changed.

Actuary
An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the Pension Fund every three years.

Agency Services
These are services the Council provides for other organisations, or services other organisations provide for the Council.

Amortisation
The process of charging capital expenditure, usually on intangible non current assets, to the accounts over a suitable period of time.

Amortised Cost
Amortised cost is the real amount at which the financial instrument is measured rather than the payments made under a contract.

Appropriations
Amounts transferred between the Comprehensive Income and Expenditure Statement and revenue or capital reserves.

Area Based Grants
A non-ringfenced general grant with no conditions on use imposed as part of the grant determination ensuring full control over how the funding can be used.

Assets held for sale
Property (land or a building, or part of a building) held solely to earn rentals or for capital appreciation, or both.

Average cost
Where goods that are held as inventories are purchased at different times and at different prices, an average cost is calculated to give a value to goods held at the balance sheet date.

Balance Sheet
The balance sheet is a summary of an authority’s financial position at the year end. It shows the balances and reserves at an authority’s disposal and its long-term indebtedness, and the non current and net current assets employed in its operations, together with summarised information on non current assets held.

Budget
A statement of the Council's expected level of service and spending over a set period, usually one year.

Capital Adjustment Account
The Capital Adjustment Account is made up of amounts set aside from revenue resources or capital receipts to pay for spending on non current assets or for repaying external loans and certain other capital financing transactions.

Capital Assets
See Non Current Assets.

Capital Expenditure
Expenditure on the acquisition of a non current asset or expenditure that extends the useful life or operational capability of an existing asset

Capital Financing
The means by which capital expenditure incurred by the Council is funded. Usually such funding comprises grants, contributions from third parties, receipts from the sale of assets, contributions from Council reserves and borrowing.

Capitalisation
The classification of expenditure as capital rather than revenue, subject to the condition that the expenditure yields a benefit to the Authority for a period of more than one year.

Capital Receipts
Proceeds received from the sale of capital assets. The proceeds are set aside in the Capital Receipts Reserve in order to repay the Council’s borrowings or to finance new capital expenditure.

Capital Receipts Reserve
A reserve held to provide an alternative source for financing future capital expenditure, and to ensure some stability in the level of capital programmes that can be financed.

Cash Flow Statement
Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes. It provides a link between the Balance Sheet at the beginning of the year, the Comprehensive Income and Expenditure Statement for the year and the Balance Sheet at the end of the year.

CIPFA
The Chartered Institute of Public Finance and Accountancy is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

Collection fund
This is a statutory fund kept separate from the main accounts of the Council. It records all income due from the Council Tax, Business Rates and remaining Community Charge and shows the precept payments due to Cheshire West & Chester Council, Cheshire Police Authority and Cheshire Fire Authority.

Community assets
Assets that the local authority intends to hold forever, that have no determinable useful life and that may have restrictions on their disposal. (e.g. parks).

Comprehensive Income and Expenditure Statement (CIES)
This statement consolidates all the gains and losses experienced by the Council during the financial year. The statement has two sections:

- Surplus or Deficit on the Provision of Services – the increase or decrease in net worth as a result of incurring expenditure and generating income.
- Other Comprehensive Income and Expenditure – any changes in net worth not reflected in the surplus or deficit on the provision of services.

This statement shows the accounting cost in year of providing services in accordance with accounting practice rather than the amount to be funded from taxation.

Consistency
The principle that the same accounting treatments are used from year to year so that useful comparisons can be made. Any significant change in policies must be declared in the accounting statements.

Constitution
The fundamental principles by which the Council operates and is governed.

Contingencies
Sums set aside to meet either the potential costs of activities expected to occur during the year, over and above those costs included in the services budgets (pay and price), or items which are difficult to predict in terms of financial impact or timing (uncertain items).

Corporate and Democratic Core
Corporate and Democratic Core represents costs associated with democratic representation and management and corporate management. Democratic representation and management includes all aspects of Members' activities. Corporate management concerns the cost of the infrastructure that allows services to be provided and the cost of providing information that is required for public accountability. Such costs form part of total service expenditure, but are excluded from the costs of any particular service.

Corporate Governance
The authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability.

Council Tax
The means of raising money locally to pay for local authority services. This is a property based tax where the amount levied depends on the valuation of each dwelling.

Council Fund / General Fund
The Council's main revenue fund to which all revenue receipts are credited, and from which revenue liabilities are discharged. The movement on the fund in year represents the excess of income over expenditure once notional charges and credits have been replaced by the amounts required to be funded from Council Tax.

Creditors
Amounts owed by the Council for goods or services that it has received but for which payment had not been made by 31 March 2011.

Current Assets and Liabilities
Current assets are cash and items that can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term. By convention these items are ordered by reference to the ease that the asset can be converted into cash, and the timescale in which the liability falls due.

Current Service Cost (IAS 19 term)
Employer pension contributions charged during the year have been removed from the Comprehensive Income and Expenditure Statement and replaced with an amount (i.e. current service cost) which reflects the increase in the scheme liabilities expected to arise from employee membership of the Scheme in the year of account.

Debtors
Amounts owed to the Council at 31 March 2011, where services have been delivered but payment has not been received.

Deferred capital receipts
Amounts derived from asset sales, which will be received in instalments over a period of years. (e.g. mortgages on the sale of council houses).

Deferred Liabilities
An amount already received by the Council that is being credited to the Comprehensive Income and Expenditure Statement over a number of years.

Defined Benefits Pension Scheme
A pension scheme which is constructed to provide pre-determined pension benefits for retired members, with employers' and employees' contribution rates being calculated based on actuarial assumptions.

Delegated Budgets
Budgets for which schools and other services have complete autonomy in spending decisions.

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of a non current asset, whether arising from use, age or obsolescence

through technological or other changes. There are different ways to attribute the cost of the asset over its economic life, of which the most common are the straight line method and the reducing balance method.

- Straight line depreciation method – the useful life of the asset is estimated, for instance at 3 years for IT equipment or 5 years for a vehicle, and the cost of the asset is divided equally over that number of financial years.
- Reducing balance method – the value of the asset is reduced by a non current percentage each year, reflecting a greater loss of value in earlier years.

Depreciated Historic Cost
The value of an asset shown in the Balance Sheet calculated from the original cost less depreciation to date.

Derecognition
The removal of an asset of liability from the Balance Sheet as it has been extinguished, for example, the settling of a liability by paying the creditor.

Discretionary Benefits
Retirement Benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority’s discretionary powers.

Donated Assets
Assets transferred at nil value or acquired at less than fair value.

Earmarked Reserves
These reserves represent monies set aside that can only be used for a specific usage or purpose.

Effective Interest Rate
The rate of interest that would discount expected cash flows throughout the life of the financial instrument down to the fair value of the asset calculated at initial measurement.

Emoluments
All sums paid to or receivable by an employee and sums due by way of taxable expense allowances.

Events After the Balance Sheet Date
Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items
Items that derive from the ordinary activities of the authority and are material in terms of the authority’s overall expenditure but not expected to recur frequently or regularly.

Expected Return on Assets (IAS 17 term)
The average rate of return expected on the actual assets held by the scheme.

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction between unrelated parties.

Finance Lease
An arrangement whereby the owner of an asset (the lessor) accepts a rental in return for allowing another party (the lessee) use of an asset for a specified period, such that substantially all of the risks and rewards associated with ownership are transferred to the lessee.

Financial Instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities and includes trade debtors, investments, trade creditors and borrowings.

General Fund
The total amount held in Council Fund and Schools' balances.

General Reserves
These are amounts set aside for use in future years, not earmarked for any specific purpose.

Government Grants
Amounts received from central Government towards funding the Council's activities. Revenue grants and contributions are credited to the appropriate service revenue account. Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement, unless there are conditions attached which have not been satisfied. Capital grants and contributions recognised in year are not a credit against the General Fund balance and are reversed out via the Movement in Reserves Statement.

Government Grants and Contributions Unapplied
Capital grants and contributions that have been recognised in the Comprehensive Income and Expenditure Statement but which have not yet been applied to finance capital expenditure.

Heritage Assets
Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

Impairment
A reduction in the value of a non current asset arising from physical damage to the asset, dilapidation or obsolescence.

Income
Amounts which the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, capital receipts, government grants, the precept on

Council Tax collection funds, Revenue Support Grant and National Non-Domestic Rates.

Infrastructure
The Council's network of roads, pavements and bridges.

Infrastructure assets
Non current assets that cannot be given or taken away. Spending on these assets is recoverable only by continued use of the asset created (e.g. highways and footpaths).

Intangible Non Current Assets
Expenditure incurred on those non current assets that do not have physical substance but which are separately identifiable and provide the Council with a right of use for a period in excess of one year.

Interest Cost (IAS 19 term)
A financing charge reflecting the increases in the present value of scheme liabilities.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards form a principles based set of standards that establish broad rules and dictate specific accounting treatments. The Code of Practice on Local Authority Accounting in the UK (the Code), interprets IFRS accounting principles for local government and recognises the following hierarchy of standards on which accounting treatment and disclosures should be based:

- International Financial Reporting Standards (IFRS)
- International Public Sector Accounting Standards (IPSAS)
- UK Generally Accepted Accounting Practice (UK GAAP)

Inventories
Raw materials and consumable goods bought but not yet used at the end of the accounting period.

Investments
Short term investments comprise deposits of temporary surplus funds with banks or similar institutions. Long term investments comprise similar funds held for a period of more than one year.

Investment Properties
Assets that are available for immediate sale, where there is a committed plan to sell the asset, an active marketing programme and where the sale is highly probable within 12 months.

Landfill Allowance Trading Scheme (LATS)
The scheme allocates tradable landfill allowances to each waste disposal authority in England and authorities can buy, sell or carry forward landfill allowances depending on usage requirements.

Loans and receivables
Assets that have fixed or determinable payments but are not quoted in an active market.

Local Authority Business Growth Incentive Scheme (LABGI)
The Local Authority Business Growth Incentives Scheme (LABGI) provides an incentive for local authorities to promote economic growth in the area by allowing them to retain a proportion of any increase in business rates revenues.

Local Public Service Agreement (LPSA)
Government initiative whereby demanding performance targets are set to deliver improvements for local people through partnerships with District Councils and other organisations.

Long Term Borrowing
The main element of long term borrowing comprises loans that have been raised to finance capital expenditure projects.

Market Value
The monetary value of an asset as determined by current market conditions at the Balance Sheet date.

Materiality
The concept that any omission from or inaccuracy in the statement of accounts should not be so large as to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP)
The minimum amount (as laid down in statute) that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the Council, analysed into usable and unusable reserves. The statement reconciles the surplus or deficit on the provision of services, in the Comprehensive Income and Expenditure Statement, to the movement in the General Fund balance for the year.

National Non-Domestic Rate (NNDR)
The government levies a standard rate on all properties used for commercial purposes and cannot increase it by any more than the Retail Price Index. The rates are collected on behalf of the government by Councils, and are then redistributed nationally on the basis of resident population.

Net Book Value
The amount at which non current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost
The estimated cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt
This comprises short term investments plus cash in hand less cash overdrawn and long term borrowing.

Net Realisable Value
The expected proceeds from the sale of an asset when sold on the open market between a willing buyer and a willing seller less all the expenses incurred in selling the asset.

Non Current Asset
An asset which is intended to be in use for several years such as a building or a vehicle. These may be tangible or intangible.

Non Distributed Costs
Costs which cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.

Non Operational Assets
Non-current assets held by the Council which are not currently used in the provision of Council services.

Operating Lease
An arrangement similar to a finance lease but where the risks and rewards associated with ownership remain with the lessor.

Operational Assets
Non-current assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost (IAS 19 term)
The increase in the scheme liabilities arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept
Amounts the Council is required to raise from Council Tax on behalf of other authorities.

Prepayments
Amounts paid by the Council in 2010-11 that related to goods and services not received until 2011-12.

Prior Year Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. They do not include minor corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)
A means of securing new assets and associated services in partnership with the private sector.

Projected Unit Method (IAS 17 term)
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Provisions
Amounts set aside to meet costs that are likely or certain to be incurred but where the amount of cost or timing of payment is uncertain.

Receipts in Advance
Amounts received by the Council during 2010-11 relating to goods or services delivered in 2011-12.

Related Party
A person or organisation which has influence over another person or organisation.

Reserves
Specific amounts set aside for future policy purposes or to cover contingencies. There are two types of reserve: usable reserves which are available to meet current expenditure, and unusable reserves which are not. Most revenue reserves are capable of being used, but the Revaluation Reserve, Capital Adjustment Account, and the Financial Instruments Adjustment Account cannot be used to meet current expenditure.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revaluation Reserve
Revaluation Reserve is intended to hold surpluses or deficits arising from the regular revaluation of non-current assets.

Revenue Expenditure
Revenue expenditure is spending on the day to day running costs of the Council. It includes expenditure on employees, premises, transport and supplies & services.

Revenue Expenditure Funded from Capital under Statute
Certain expenditure can be classified as capital for funding purposes when it does not result in the expenditure being carried on the balance sheet as a non current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax.

Revenue Support Grant (RSG)
Central Government grant support towards local government expenditure.

Scheme Liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Section 151 Officer
The Officer designated to assume overall responsibility for the administration of the financial affairs of the Council and for the preparation of the Council's Statement of Accounts.

Service Concession
An arrangement under which the Council passes to a third party an obligation to deliver a service to the public on its behalf. Organisations delivering services under a service concession arrangement are effectively doing so as an extension of the Council so any assets employed by them to deliver the contracted services are reported on as if they were the Council's own. This is commonly the case for Private Finance Initiative contracts.

Settlements and Curtailments (IAS 19 term)
Settlements are liabilities settled at a cost materially different to the IAS 19 reserve during the year. Curtailments represent the cost arising from early payment of accrued pensions in respect of any redundancies during the year.

Short Term Compensated Accumulated Absences (STCAA)
These are benefits that employees receive as part of their contract of employment, the entitlement to which is built up as they provide services to the Council, e.g. annual leave, flexi leave.

Slippage
This is when delays occur in capital works and therefore payments are not made in the financial year originally anticipated.

Surplus
The remainder after taking away all expenditure from income.

Tangible Non current Assets
Non-current assets which have physical substance and which yield benefits to the Council for a period of more than one year.

Unapportionable Central Overheads
These are overheads for which no user now benefits and should not be apportioned to services.

Useful life
The period over which the local authority will derive benefits from the use of a non current asset.

Vested Rights
In relation to a defined benefit scheme, these are:

a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme
b) for deferred pensioners, their preserved benefits
c) for pensioners, pensions to which they are entitled

They include where appropriate the related benefits for spouses or other dependants.